深圳市海王英特龍生物技術股份有限公司

SHENZHEN NEPTUNUS INTERLONG BIO-TECHNIQUE COMPANY LIMITED*

(a joint stock limited company incorporated in the People's Republic of China)

Stock Code: 8329

2005 Annual Report

*For identification purpose only

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This report, for which the directors (the "Directors") of Shenzhen Neptunus Interlong Bio-technique Company Limited (the "Company") collectively and individually accept responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable information enquiries, confirm that, to the best of their knowledge and belief:– (i) the information contained in this announcement 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 announcement misleading; and (iii) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Zhang Si Min *(Chairman)*
Mr. Chai Xiang Dong
Ms. Wang Yan

Non-Executive Directors

Mr. Shao Chun Jie
Ms. Yu Lin

Independent Non-Executive Director

Mr. Yick Wing Fat, Simon
Mr. Poon Ka Yeung
Mr. Lu Sun

COMPANY SECRETARY

Mr. Chung Ping Sum *HKICPA,FCCA*

QUALIFIED ACCOUNTANT

Mr. Chung Ping Sum *HKICPA,FCCA*
COMPLIANCE OFFICER
Mr. Zhang Si Min

AUTHORISED REPRESENTATIVE

(for the purpose of GEM Listing Rules)
Mr. Chai Xiang Dong
Mr. Chung Ping Sum

AUDIT COMMITTEE

Mr. Yick Wing Fat, Simon
Mr. Poon Ka Yeung
Ms. Yu Lin

WEBSITE

www.intelrong.com

AUDITOR

Ernst & Young
Certified Public Accountant

COMPLIANCE ADVISER

First Shanghai Capital Limited
19th Floor, Wing On House, 71 Des Voeux Road
Central, Central, Hong Kong

LEGAL ADVISER

Stephenson Harwood & Lo
18th Floor, Edinburgh Tower, The Landmark
15 Queen's Road Central, Hong Kong

PRINCIPAL BANKS

Industrial and Commercial Bank of China
Neptunus Sub-branch
China Merchants Bank
Nanyou Sub-branch

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai, Hong Kong

REGISTERED OFFICE

24th Floor, Block A, Neptunus Building, Nanyou Avenue,
Nanshan District Shenzhen Guangdong Province, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

18th Floor, Edinburgh Tower, The Landmark,
15 Queen's Road Central, Hong Kong

STOCK CODE

8329

Chairman's Statement

12 September, 2005 (the "Listing Date") was an encouraging date for our Company, marked by our successful listing on the GEM. Besides being an important milestone in the development of the Company, the listing provides the Company with a strong financial base to underpin its day-to-day operations and support the development of its new products and business, which helps to further consolidate the Company's position in the bio-pharmaceutical industry of the People's Republic of China (the "PRC").

In 2005, sales of the Company's major product, recombinant human IFN2zb for injection ("rhIFNα2b for injection") further consolidated the Company's leading position within the industry while substantial growth was witnessed in the business of recombinant human interleukin-2 (125Ser) for injection (" rhIL-2(125Ser) for injection"). Since these two medicines were included in the Medicine Catalogue of the National Basic Medical Insurance, it is expected that such business will continue to grow steadily in future.

The newly developed influenza vaccine business, rhIFNα2b vaginal effervescent tablet ("rhIFN2zb vaginal effervescent tablet") business, and rhIFNα2b liposome cream ("rhIFN2zb liposome cream") business which basically provide flu prevention to healthy people and cure for viral gynecological diseases and viral dermatological diseases, plans to be launched in 2006. The Company suffered minor operating loss in support of these new businesses. Related facilities of these new businesses are now under construction, and we are confident that profits can be realized in 2006.

Regardless of the fact that the business of the Company was affected by the revised policy on the medicine market that came into effect in the second half of 2005, our continual investment in research and development has enabled us to expand our business in 2006 and provided strong support for our long term development in future.

Overall, the Company's business has a very promising prospect.

I would like to take this opportunity to express my heartfelt gratitude towards all the shareholders, business partners and all staff members for their unfailing trust and support.

Zhang Si Min
Chairman

Management Discussion and Analysis

FINANCIAL REVIEW

Turnover of the Company amounted to approximately RMB49,383,000 during the year, increased by approximately 2.4% over RMB48,248,000 recorded at the corresponding period last year. The turnover of the Company's main product, namely rhIFNα2b for injection, represented approximately 80.1% of the total turnover of the Company for the year. During this year, the Company increases their efforts in marketing so as to minimise the effect of price cut and to increase the turnover. During the year, the growth in turnover was mainly attributable to the improved sales of rhIL-2 (125Ser) for injection. Due to the Company's increased effort in marketing, turnover of the Company's rhIL-2 (125Ser) for injection increased by approximately 145.4% over the corresponding period last year.

The gross profit and the gross margin of the Company were approximately RMB41,675,000 and 84.4% respectively, representing a respective increase of RMB1,386,000 and 1.1% from the corresponding period last year. The increase in the gross profit was attributable to the increase in sales volume. Although the prices of the products were cut down during the relevant period, the overall gross profit margin increased slightly due to the decrease in apportionment of the fixed cost for unit product resulting from the substantial increase in sales volume, and the increase in the turnover of rhIL-2 (125Ser) for injection, which has higher gross profit margin. In addition, the increase in the total production volume as compared to the same period of the prior year contributed to the advance of overall gross profit margin of the Company.

Selling and distribution expenses of the Company amounted to approximately RMB27,749,000 during the year, representing a drastic increase of approximately RMB4,045,000, or 17.1% over approximately RMB23,704,000 in the corresponding period last year. Such increase was mainly attributable to the Company's increased effort in marketing during the year, in particular the increased promotional activities on the new specification products of rhIL-2 (125Ser) for injection, which increased expenses correspondingly. In addition, according to the requirement issued by the National Development and Reform Commission of the PRC on 28 September 2005, the highest retail price of 22 kinds of medicines, including IFNα2b, will be cut down effective from that date. The highest retail prices of all the specifications of the Company's rhIFNα2b for injection are cut by 17% to 34%. The slump in price further intensified the product's market competition. Although the Company has already implemented proactive measures to increase price competitiveness, the fact that rhIFNα2b for injection is currently the Company's major source of profit meant that the profitability of the Company is significantly affected.

Administrative expenses of the Company amounted to RMB5,730,000 during the year, representing a substantial increase of approximately RMB2,552,000 or 80.3% as compared to approximately RMB3,178,000 for the same period in the previous year. Such increase was mainly due to the increase in salary expense as a result of the increase in the number of production staff, the payment of administrative fee for listing and the increase of other management costs.

The Company's profit before tax amounted to approximately RMB942,000 for the year, representing a substantial decrease of approximately 90.8% from approximately RMB10,221,000 recorded in the corresponding period last year. Such decrease was mainly attributable to the different extent of increases in selling and distribution expenses, administrative expenses and other expenses such as research and development expenses and the provisions for doubtful debt.

As such, the loss attributable to the equity holders of the Company amounted to approximately RMB160,000 for the year, as compared to the profit attributable to the equity holders of approximately RMB8,578,000 for the corresponding period of the previous year.

BUSINESS REVIEW

The Company is principally engaged in the research and development of modern biological technology, production and sales of cytokines category protein therapeutic drugs and biological products for disease prevention in the PRC. During the year, the Company produced and sold mainly two drugs, namely rhIFNα2b for injection and rhIL-2(125Ser) for injection. During the year, the two abovementioned products were mainly sold in the PRC with small quantities exported to the South Asian markets.

International business

In 2005, the business of the Company in Pakistan continued to grow with an increase of its market share. The Company successfully completed the medicine registration of rhIFNα2b for injection in Indonesia after submitting its registration for 3 years and distributed the products to Burma and Cambodia through its distributors in Indonesia.

Management Discussion and Analysis (cont'd)

BUSINESS REVIEW *(cont'd)*

Research and development

Development of new products

The development of new products is progressing smoothly. The clinical trial of rhIFNα2b effervescent tablet has been completed and the application for new medicine registration and new medicine certificate and approval for production were submitted to the State Food and Drug Administration of the PRC ("SFDA") in January 2006. The clinical trial of rabies vaccine in vero cell has also been completed. The rhIFNα2b liposome cream has completed the second phase of clinical trial and is now entering the third phase of clinical trial. rhIFNα2b buccal tablet is applying to enter the second phase of clinical trial while the addition of 3 new specifications to rhIL-2(125Ser) for injection was approved and they have been sold in the market.

Influenza vaccine

The Company's new product, vaccine of influenza virus, obtained the new medicine certificate in 2005 and has already obtained a report issued by National Institute for the Control of Pharmaceutical and Biological Products of the PRC, certifying that the product is up to standard. It is now applying for production approval. As at the date of this report, the application is still being processed. Once the production approval is obtained, the Company will apply for the GMP Certificate from SFDA and will launch the product for sale after obtaining GMP Certificate.

Patents

The Company has at present 15 invention patents under application. Of the two applications submitted during the year, one has already been granted the patent certificate while the notifications for the grant of patents have been received for 3 applications.

LIQUIDITY AND FINANCIAL RESOURCES

Borrowings and banking facilities

As at 31 December 2005, the Company's bank and cash balance was approximately RMB63,604,000, while it was approximately RMB32,605,000 as at 31 December 2004. The Company's bank facilities debt was approximately RMB55,000,000 (the "Bank Loan") and the controlling shareholders' loans was approximately RMB9,000,000 (the "Shareholders' Loan").

The Bank Loan was used as the Company's working capital and for financing the purchase of facilities for the newly established production base in Shenzhen, the PRC. The Bank Loan has a term of one year, and will be due on 3 July 2006 and 29 December 2006 respectively, with interest calculated on the basis of floating or fixed interest rate. The Shareholders' Loan is interest free and used as the land premium for the land used by the Company for the above purpose. There is no fixed due date for the Shareholders' Loan and the controlling shareholders of the Company has undertaken to the Company that they would not demand the repayment of the loan unless and until: (1) the repayment of the loan will not adversely affect the operations of the Company and/or the implementation of its business objectives as set out in the Prospectus; (2) each of the independent non-executive Directors is of the opinion that the repayment of the loan will not adversely affect the operations of the Company and/or the implementation of its business objectives as set out in the Prospectus and the Company will make announcement in respect of the decision of the independent non-executive Directors; (3) the Company has positive cash flow and retained earnings in the relevant financial year.

Gearing ratio

As at 31 December 2005, the gearing ratio of the Company was approximately 37.0% (2004: 24.0%) and was calculated by a division of the total interest-bearing borrowings by equity.

The Company's transactions are mainly denominated in Renminbi and the Company reviews its working capital and finance requirements on a regular basis.

Management Discussion and Analysis (cont'd)

LIQUIDITY AND FINANCIAL RESOURCES *(cont'd)*

Net current assets

As at 31 December 2005, the Company had net current assets of approximately RMB29,106,000. Current assets comprised cash and cash equivalents of approximately RMB63,604,000, trade receivables of approximately RMB21,399,000, amounts due from related companies of approximately RMB3,739,000, inventories of approximately RMB3,515,000, prepayments, deposits and other receivables of approximately RMB4,142,000, pledged deposits of approximately RMB8,345,000. Current liabilities comprised trade payables of approximately RMB543,000, short-term borrowings of approximately RMB55,000,000, amounts due to related companies of approximately RMB11,016,000, taxes payable of approximately RMB3,024,000 and other payables and accruals of approximately RMB6,055,000. Compared with last year's net current asset position of approximately RMB39,537,000, the total current assets increased due to the availability of capital raised from listing and bank loans, but the investment in new projects contributed to the drastic increase of fixed assets and the increase of bank loans, resulting in the fall of the net current assets.

Pledge of assets

The details of the Company's pledge of on assets are set out in notes 21 and 25 to the financial statements.

Foreign currency risk

All the Company's businesses are operated in the PRC and all its transactions are settled in Renminbi. Therefore, the Company's exposure to foreign currency risk is minimal.

Capital commitments

In order to complement the business objectives as stated in the Prospectus, the Company is required to construct new production base and enhance production facilities. As at 31 December 2005, the Company has capital commitments of approximately RMB125,123,000, of which approximately RMB50,966,000 are for the contracts of production base construction and equipment purchase. The Directors believe that such capital expenditure can be paid by the funds raised by the listing of the Company and bank loans. The relevant details are set out in note 27 to the financial statements.

Significant investment and asset purchase project

As stated in the section "Business Objectives" in the Prospectus of the Company, the Directors are confident about the prospect of the vaccine of influenza virus market. The Directors decided to improve the standard and capacity of its production facilities for vaccine of influenza virus to enhance its competitiveness in such market. With a view to achieving this, the Directors plan to further invest approximately RMB80,000,000 into the construction of the new production base, to the effect that the investment into the section "Construction of new production base and the enhancement of production facilities" in the Prospectus increased to approximately RMB180,000,000. Apart from the use of the funds raised by the listing, the remaining amount would be financed by bank facilities mainly. As at 31 December 2005, China Development Bank has agreed to provide a facility of RMB60,000,000 and provision of other facilities are under negotiation.

Contingent Liabilities

As at 31 December 2005, the Company has no significant contingent liabilities.

Human Resources

As at 31 December 2004 and 2005, the breakdown of Company's employees as analyzed by functions is as follows:

	As at 31 December	
	2005	2004
Senior management	**9**	7
Administration and Human Resources	**9**	10
Finance	**7**	6
Research and Development	**24**	24
Sales and Marketing	**139**	157
Export	**3**	3
Production	**101**	20
Quality control	**12**	11
Others	**9**	4
Total	**313**	242

As at 31 December 2005, the Company had 313 employees, representing an increase of 71 employees as compared with 242 employees last year. This is due to the number of new employees recruited for the preparation of production of new vaccine of influenza virus.

Management Discussion and Analysis (cont'd)

LIQUIDITY AND FINANCIAL RESOURCES *(cont'd)*

Human Resources *(cont'd)*

Salaries of the Company's employees are determined by reference to the role, performance, qualification and experience of the relevant staff. A discretionary bonus based on the Company's performance and individual performance during the year would be distributed to reward their contributions to the Company. There was no labour dispute or any material change in the number of employees which affects the normal operation of the Company. The Directors believe that there is a good relationship between the Company and its employees.

PROSPECTS

International business

Besides RhIFNα2b for injection which is already seeking overseas drug registration, we have entered into co-operation agreements with customers in regions such as South Africa and Austria for the application of overseas drug registration for rhIL(125Ser) for injection and the exploration of overseas markets for the product.

Vaccine of influenza virus business

Modification of production facilities

The Company has leased a property of about 3,722 square meters and rebuilds it into a plant suitable for the manufacturing of vaccine for influenza virus. The rebuilding work has now been completed and production will commence upon the application for a GMP Certificate after the relevant approval for production being obtained.

Construction of new production base

The Company is currently constructing a new plant in the Guangming High and New Technology Industrial Park in Baoan, Shenzhen for expanding the productive capacity of new products such as the vaccine for influenza virus. The major structure of the plant has been built and the major facilities are being arranged and tested.

While preparing for the production of vaccine of influenza virus, the Company begins to explore international markets on top of the PRC market. The Company has been negotiating with several overseas pharmaceutical distributors with regard to the agency sales of its influenza vaccine products.

The Directors expect that the Company will launch the new influenza vaccine in 2006 and the product will contribute significantly to the Company's future profit.

Other development opportunities

The clinical trial of the Company's new product, rhIFNα2b vaginal effervescent tablet has been completed during this year and the Company is applying to SFDA for the new medicine certificate for the product and approval for production. The construction of the production facilities for rhIFNα2b vaginal effervescent tablet has commenced in the fourth quarter of 2005.

The Company will continue to invest in the research and development of new products so as to improve its existing product structure and minimize operation risk. The Directors believe that the launching of the influenza vaccine will help the Company to gain access to the preventive medicine industry and exploit development opportunities while increasing market recognition. Meanwhile, the Company is actively exploring overseas markets for its products in order to maximize the return from the resources invested in the operation.

Directors, Supervisors and Senior Management Profile

EXECUTIVE DIRECTORS

Mr. Zhang Si Min (張思民), aged 44, has been the chairman of the board since March 1999, and is responsible for the overall strategic planning and development of the Company. He is the founder of the Neptunus Group and also the chairman of the board of directors of Shenzhen Neptunus Bio-engineering Company Limited ("Neptunus Bio-engineering"). Furthermore, He is currently a standing committee member of Shenzhen Political Consultative Conference and the vice chairman of the Health and Food Association of the PRC. Mr. Zhang has obtained a doctorate degree in political economics study from Nankai University in the PRC.

Mr. Chai Xiang Dong (柴向東), aged 45, has been appointed the general manager of the Company since February 2000, and is responsible for the Company's day-to-day management and overall activities. In April 2002, he was appointed a Director. Mr. Chai has obtained a doctorate degree in bio-chemistry science from the Jilin University of the PRC, and was appointed a professor of the chemistry department of the Jilin University.

Ms. Wang Yan (王妍), aged 44, has been the deputy general manager of the Company since January 2002, with responsibility for the Company's new products research and development business. In June 2002, she was appointed a Director. Ms. Wang obtained a master's degree in bio-chemistry from the Jilin University of the PRC. She worked at one of the biotech research institute in the PRC for over ten years, and received the "State Science and Technology Progress prize" and has extensive experience in the bio-pharmaceutical field.

NON-EXECUTIVE DIRECTORS

Ms. Yu Lin (于琳), aged 49, has been appointed a Director since February 2005, and currently the deputy general manager of Neptunus Bio-engineering with responsibility for its new products research and development. Ms. Yu graduated from Sun Yat-Sen University of the PRC, and has 30 years of experience in biochemical and pharmaceutical industries in the PRC.

Mr. Shao Chun Jie (邵春杰), aged 50, has been a Director of the Company since March 1999. Mr. Shao obtained a doctorate's degree in pharmacology from Hiroshima University in Japan, and he is a technology expert receiving special grant from the State Council of the PRC. Currently, Mr. Shao is a director and general manager of Changchun Neptunus Bio-engineering Pharmaceutical Limited.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Yick Wing Fat, Simon (易永發), aged 48, has been appointed as an independent non-executive Director since August 2005. Mr. Yick holds a bachelor degree in business administration, majoring in Accounting, from the Chinese University of Hong Kong. He is the fellow members of both the Hong Kong Institute of Certified Public Accountants, and the Chartered Association of Certified Accountants in England. Mr. Yick has more than 20 years of experience in investment banking, finance, investment and management. He is an independent non-executive director of Shanghai International Shanghai Growth Investment Limited and Travelsky Technology Ltd., both of which are listed on the main board of the Stock Exchange.

Mr. Poon Ka Yeung (潘嘉陽), aged 39, has been appointed as an independent non-executive Director since August 2005. Mr. Poon obtained his bachelor's degree in mathematics and was further admitted to the MBA degree. He is currently appointed as the Honorary Institute Fellow of the Asia-Pacific Institute of Business of the Chinese University of Hong Kong.

Mr. Lu Sun(魯隼), aged 44, has been appointed an independent non-executive Director since August 2005. Mr. Lu obtained a bachelor's degree in science and a doctorate degree. Mr. Lu has abundant experience in bio-pharmaceutical industry.

SUPERVISORS

Mr. Feng Jia Xin (馮家信), aged 38, has been appointed a Supervisor since June 2002. He has obtained his bachelor's degree of economics of Sichuan University in the PRC, and he has more than ten years of experience in investment, auditing, finance and accounting.

Mr. Shen Da Kai (沈大凱), aged 41, has been appointed a Supervisor since June 2002. Mr. Shen graduated from Luoyang Institute of Technology of the PRC. He is the deputy financial controller of Neptunus Bio-engineering, and has almost twenty years of experience in audit, finance and accountant.

Mr. Yu Jun (喻軍), aged 35, has been appointed a Supervisor since June 2002, and is now the manager of the Information and Technology Department of the Company.

Directors, Supervisors and Senior Management Profile (cont'd)

SENIOR MANAGEMENT

Mr. Chung Ping Sum (鍾炳森), aged 46, has been appointed as the Company secretary and qualified accountant of the Company since August 2005. Mr. Chung obtained a diploma in economics and a master degree in accounting. He is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants, and also as the associate member of the Taxation Institute of Hong Kong. Mr. Chung has extensive experience in auditing, finance and accounting.

Mr. Song Ting Jiu (宋廷久), aged 50, has been appointed the deputy general manager of the Company since September 2005 and is responsible for infrastructure matters. Mr. Song graduated from Northeast Dianli College and worked for the Chinese Academy of Science of the State Economic a Trade Commission and Bank of China, Shenzhen Branch. He has extensive experience in finance, investment and management for more than 20 years.

Ms. Zhang Xiao Yu(張曉宇), aged 30, joined the Company in November 2004 and currently the secretary to the Board. Ms. Zhang has obtained a bachelor's degree in economics of the Central University of Finance and Economics of the PRC.

Mr. Chen Xi (陳曦), aged 37, joined the Company in March 2002 and currently the sales controller, is responsible for the sales and marketing of the products approved to be manufactured by the Company. Mr. Chen graduated from the clinical medicine department of Zhejiang University of Medicine of the PRC. He has over ten years of sales experience in the medicine industry of the PRC.

Ms. Sun Tao (孫濤), aged 39, joined the Company in November 1999 and currently the marketing controller with responsibility of the expansion of the Company's products in the domestic market. Ms. Sun holds a bachelor's degree in clinical medicine from Nanjing Medical University of the PRC.

Ms. Yu Cai Ling (余彩玲), aged 38, was appointed the manufacture controller and is responsible for the manufacturing of the Company's products. Ms. Yu graduated from Sichuan University of the PRC and hold over ten years of experience in manufacturing and production management of bio-pharmaceutical. She joined the Company in 1996 as the manager in production department and left the Company in 2001.

Mr. Zong Lei (宗磊), aged 52, senior engineer, has been the chief engineer of the Company in August 2003, with responsibility for the construction of new production base. Mr. Zong graduated from Industrial University of Gansu of the PRC, and further studied in various training programs including the certification of facilities of pharmaceutical manufacturing enterprise in compliance with the European GMP standard in the Netherlands.

Report of the Directors

The Directors are pleased to present their report and the audited financial statements of the Company for the year ended 31 December 2005.

PRINCIPAL ACTIVITIES

The principal activities of the Company comprised the research and development of modern biological technology, and the production and sale of cytokines category protein therapeutic drugs and biological products for disease prevention.

RESULTS AND DIVIDENDS

The Company's results for the year ended 31 December 2005 and the state of affairs of the Company are set out in the financial statements on pages 27 to 60.

The directors do not recommend the payment of any dividend for the year (2004: Nil).

USE OF PROCEEDS

The net proceeds from the Company's issue of new share by way of placing on the Listing Date, after deduction of the related expenses, amounted to RMB65,590,000. For the year ended 31 December 2005, the net proceeds from the listing of the Company were used in accordance with the proposed use of proceeds as disclosed in the Prospectus of the Company:–

	From the Listing Date to 31 December 2005 Planned Use of Proceeds as set out in the Prospectus (in Million HK$)	**From the Listing Date to 31 December 2005 Actual use of proceeds** (in Million HK$)
Construction of production base and the enhancement of production facilities	40	42

Unutilised proceeds amounting to approximately RMB21,704,000 were placed with commercial banks in the PRC, and will be applied in the future in accordance with the Company's business objectives described in the prospectus.

Report of the Directors (cont'd)

USE OF PROCEEDS *(cont'd)*

Comparison between the business objectives and the actual business progress

The table below shows a comparison between the business objectives as stated in the Prospectus and the actual business development of the Company during this year:

	The anticipated development from the Listing Date to 31 December 2005	The actual development from the Listing Date to 31 December 2005
Construction of new production base and expansion of production facilities		
Subunit vaccine of influenza virus (leased properties)	– Modify the existing production facilities – Obtain GMP certificate for such facilities	– The existing production facilities have been modified and the applications for GMP certificate is still pending
Subunit vaccine of influenza virus (Baoan GMB Factory)	– Construct the Baoan GMP Factory	– The Baoan GMP Factory is still under construction and the major part of the construction has been completed
rhIFNα2b Buccal liposome cream	– Construct production lines and purchase relevant equipments	– The production facilities are still under construction – Purchase of the relevant production equipment has been planned but no purchase has been made
rhIFNα2b vaginal effervescent tablet	– Construct production lines and purchase relevant equipments	– The production facilities are still under construction, the model of the relevant production equipment have been selected

Report of the Directors (cont'd)

USE OF PROCEEDS *(cont'd)*

Comparison between the business objectives and the actual business progress

The table below shows a comparison between the business objectives as stated in the Prospectus and the actual business development of the Company during this year:

	From the date of listing to 31 December 2005's anticipated progress	From the date of listing to 31 December 2005's actual progress
R & D of new products		
Subunit vaccine of influenza virus	– Obtain production approval – Launch product in the market	– New medicine certificate has been obtained but the application to SFDA for production approval is still pending and hence no production was made in 2005
rhIFNα2b buccal tablet	– Carry out clinical research	– Phase 1 of clinical research has been completed – Preparing for phase 2 of clinical research
rhIFNα2b Buccal liposome cream	– carry out clinical research	– Phase 2 of clinical research has been completed – Preparing for Phase 3 of clinical research
rhIFNα2b vaginal effervescent tablet	– complete clinical research – apply for new medicine certificate	– Clinical research has been completed
rhNGF	– carry out pre-clinical research	– Pre-clinical animal testing is still under examination
rhHSS	– carry out pre-clinical research	– Pre-clinical animal testing is still under examination
Expansion of sales network		
Expansion Plan	– market rhIL-2 (125Ser) for injection – anticipate to expand into other overseas markets such as Eastern Europe	– Distributorship agreements with clients in South Africa, Europe, etc. regarding rhIL-2 (125Ser) for injection have been signed, but the required prior medicine registration is still pending – Medicine registration of rhIFNα2b for injection in Indonesia has been completed and the above products have been distributed to Buma and Cambodia by the Company's Indonesian distributor – The management believes that it is inappropriate to expand into the markets in Eastern Europe taking into account the current trends in the market and the current business of the Company

Report of the Directors (cont'd)

SUMMARY FINANCIAL INFORMATION

The published results and assets and liabilities of the Company for the last three financial years is set out on page 61 of this report. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company during the year are set out in note 12 to the financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 23 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association or the laws of the PRC which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, SALE OR REPURCHASE OF LISTED SHARES OF THE COMPANY

The H shares of the Company have been listed on the GEM since 12 September 2005. Save for the placing of shares on the GEM, neither the Company nor any of its subsidiaries purchased, sold or repurchased any of the Company's listed shares during the year.

RESERVES

Details of movements in the reserves of the Company during the year are set out in note 24 of the financial statements.

DISTRIBUTABLE RESERVES

At 31 December 2005, the Company's reserves available for distribution, calculated in accordance with the relevant rules and regulations and the Company's articles of association, amounted to RMB8,671,000. In addition, the Company's share premium account, in the amount of RMB41,923,000, may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Company's five largest customers accounted for 13.8% of the total sales for the year and sales to the largest customer included therein amounted to 6.9%. Purchases from the Company's five largest suppliers accounted for 64.2% of the total purchases for the year and purchases from the largest supplier included therein amounted to 31.0%.

None of the Directors and supervisors of the Company or any of their associates or any shareholders (who, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Company's five largest customers and suppliers.

Report of the Directors (cont'd)

DIRECTORS AND SUPERVISORS

The directors and supervisors of the Company during the year were:

Executive directors:	
Mr. Zhang Si Min	3 years from his re-appointment on 25 June 2005
Mr. Chai Xiang Dong	3 years from his re-appointment on 25 June 2005
Ms. Wang Yan	3 years from her re-appointment on 25 June 2005
Non-executive directors:	
Mr. Shao Chun Jie	3 years from his re-appointment on 25 June 2005
Ms. Yu Lin	3 years from her re-appointment on 25 June 2005
Independent non-executive directors:	
Mr. Lu Sun	from his appointment on 21 August 2005 to 24 June 2008
Mr. Yick Wing Fat, Simon	from his appointment on 21 August 2005 to 24 June 2008
Mr. Poon Ka Yeung	from his appointment on 21 August 2005 to 24 June 2008
Supervisors:	
Mr. Feng Jia Xin	3 years from his re-appointment on 25 June 2005
Mr. Shen Da Kai	3 years from his re-appointment on 25 June 2005
Mr. Yu Jun	3 years from his re-appointment on 25 June 2005

The Company has received annual confirmations of independence from Mr. Lu Sun, Mr. Yick Wing Fat, Simon and Mr. Poon Ka Yeung, and as at the date of this report still considers them to be independent.

SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

Each of the Directors and supervisors of the Company has entered into a service contract with the Company, for a term of three years commencing from 21 August 2005 to 24 June 2008.

None of the Directors or supervisors of the Company has entered into any service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

DIRECTORS' AND SUPERVISORS' REMUNERATION

The Directors' remuneration are subject to shareholders' approval at general meetings. Other emoluments are determined by the Board with reference to Directors' duties, responsibilities and performance and the results of the Company. Details of the Directors' remuneration are set out in note 8 to the financial statements.

According to the service contract between the Company and its supervisors, the Company does not need to pay any remuneration to the supervisors.

FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees and their remunerations are set out in note 8 to the financial statements.

Report of the Directors (cont'd)

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

Save for the service contracts of the Directors and supervisors as disclosed above, there were no contracts of significance to which the Company, its holding company, or any of its subsidiaries was a party and in which a Director or supervisor of the Company had a material interest, either directly or indirectly, subsisting at the end of the year or at any time during the year.

INTERESTS AND SHORT POSITIONS OF DIRECTORS AND SUPERVISORS IN THE ISSUED SHARES OF THE COMPANY

As at 31 December 2005, the beneficial interests (including interests and short positions in shares, underlying shares and debenture) of the Directors and supervisors in the registered capital of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which were required to be notified to the Company and the Stock Exchange (i) pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or (ii) pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or (iii) pursuant to the required standard of dealings regarding directors' securities transactions set out in Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

(a) *Long positions in shares of the Company:*

Director/Supervisor	Capacity	Type of Interests	Number of domestic shares held	Approximate percentage of the domestic shares	Approximate percentage of the Company's issued share capital
Mr. Chai Xiang Dong	Beneficial owner	Personal	47,671,000	6.71%	5.04%
Ms. Wang Yan	Beneficial owner	Personal	14,200,000	2.00%	1.50%
Mr. Yu Jun	Beneficial owner	Personal	1,014,000	0.14%	0.11%

(b) *Long positions in shares of associated corporations:*

Director	Capacity	Type of Interests	Name of associated corporation	Numbers of shares/ percentage of shares in associated corporation	Approximate percentage of the associated corporation's issued share capital
Mr. Zhang Si Min *(Note (a))*	Beneficial owner	Personal	Neptunus Bio-engineering	30,000	0.009%
Mr. Zhang Si Min *(Note (b))*	Beneficial owner	Personal	Ankeen Enterprises Limited	15	15%

Notes:

(a) Mr. Zhang Si Min holds 30,000 shares of the entire share capital of Shenzhen Neptunus Bio-engineering Company Limited ("Neptunus Bio-engineering"), the Company's controlling shareholder, which was the beneficial owner of approximately 67.5% of the issued share capital of the Company as at 31 December 2005.

(b) Mr. Zhang Si Min holds 15% of the issued capital of Ankeen Enterprises Limited ("Ankeen Enterprises"), which in turn is beneficially interested in approximately 41.9% of the entire share capital of Shenzhen Neptunus Group Company Limited ("Neptunus Group"), which in turn is beneficially interested in approximately 49.08% of the entire share capital of Neptunus Bio-engineering, which in turn is beneficially interested in approximately 67.5% of the share capital of the Company as at 31 December 2005.

Report of the Directors (cont'd)

INTERESTS AND SHORT POSITIONS OF DIRECTORS AND SUPERVISORS IN THE ISSUED SHARES OF THE COMPANY *(cont'd)*

Save as disclosed above, as at 31 December 2005, none of the Directors, supervisors or chief executives of the Company had any interest or short position in any shares, underlying shares and debenture of the Company or any associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange (i) pursuant to Divisions 7 and 8 of Part XV of the SFO, or (ii) pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or (iii) pursuant to the required standard of dealings regarding directors' securities transactions set out in Rules 5.46 to 5.67 of the GEM Listing Rules.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES

At no time during the year ended 31 December 2005 was the Company, its holding company, or any of its fellow subsidiaries a party to any arrangement to enable any Directors or supervisors of the Company to acquire benefits by means of an acquisition of shares or underlying shares of the Company or its associated corporations.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 2005, so far as the Directors are aware, the substantial shareholders (not being a director, a supervisor or a chief executive of the Company) holding shares and underlying shares of the Company which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO or to be interested in, directly or indirectly, 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Company, and required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO or entered in the register kept by the Company, were as follows:

Long positions in shares of the Company:

Name of shareholders	Capacity	Nature of interest	Number of domestic shares held	Approximate percentage of the domestic shares	Approximate percentage of the Company's issued share capital
Neptunus Bio-engineering	Beneficial owner	Personal	639,000,000	90%	67.5%
Neptunus Group *(Note (a))*	Interest in controlled corporation	Corporate	639,000,000	90%	67.5%
Ankeen Enterprises *(Note (b))*	Interest in controlled corporation	Corporate	639,000,000	90%	67.5%
Ms. Wang Jin Song *(Note (c))*	Interest in controlled corporation	Corporate	639,000,000	90%	67.5%
Ms. Li Li *(Note (d))*	Interest of spouse	Family	47,671,000	6.71%	5.04%

Report of the Directors (cont'd)

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES *(cont'd)*

Notes:

(a) Neptunus Group will be deemed to be interested in the 639,000,000 shares of the Company held by Neptunus Bio-engineering as Neptunus Group is beneficially interested in approximately 49.08% of the entire share capital of Neptunus Bio-engineering.

(b) Ankeen Enterprises will be deemed to be interested in the 639,000,000 shares of the Company held by Neptunus Bio-engineering as Ankeen Enterprises is beneficially interested in approximately 41.9% of the entire share capital of Neptunus Group, which in turn is beneficially interested in approximately 49.08% of the entire share capital of Neptunus Bio-engineering.

(c) Ms. Wang Jin Song ("Ms. Wang") will be deemed to be interested in the 639,000,000 shares of the Company held by Neptunus Bio-engineering as Ms. Wang is beneficially interested in 85% of the entire share capital of Ankeen Enterprises, which in turn is beneficially interested in approximately 41.9% of the entire share capital of Neptunus Group, which in turn is beneficially interested in approximately 49.08% of the entire share capital of Neptunus Bio-engineering.

(d) Ms. Li Li ("Ms. Li") will be deemed to be interested in the 47,671,000 domestic shares of the Company held by Mr. Chai Xiang Dong as Ms. Li is the spouse of Mr. Chai Xiang Dong, and is taken to be beneficially interested in any shares in which Mr. Chai Xiang Dong is interested.

Save as disclosed above, as at 31 December 2005, the Directors and supervisors of the Company are not aware of any person (except the Directors and supervisors of the Company) who had interests or short positions in the shares and underlying shares of the Company which were required to be entered in the register pursuant to Section 336 of the SFO.

SHARE OPTION SCHEME

Up to 31 December 2005, the Company has not adopted any share option scheme or make any relevant arrangement.

Report of the Directors (cont'd)

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

The Continuing connected transactions that are not exempt under Rule 20.33 of the GEM Listing Rules undertaken by the Company during the Year are set out below:–

(1) On 21 August 2005, the Company and Shenzhen Neptunus Pharmaceutical Company Limited ("Neptunus Pharmaceutical") (a wholly owned subsidiary of Neptunus Bio-engineering), entered into a general services agreement (the "Service Agreement") for the provision of various services by Neptunus Pharmaceutical to the Company for the purpose of assisting the Company in the manufacture of its products, namely rhIFNα2b for injection and rhIL-2(125Ser) for injection, on the premises of Neptunus Pharmaceutical situate at Neptunus Industrial Complex. The term of the Service Agreement commenced from 21 August 2005 and will expire on 31 December 2007.

Under the Service Agreement, Neptunus Pharmaceutical will provide the usage of the lyophilisation machine and the necessary labour for the operation of such machine to the Company in completing the lyophilisation processes of rhIFNa2b for injection and rhIL-2 (125 Ser) for injection in the Neptunus Industrial Complex. Neptunus Pharmaceutical will also provide other common facilities such as water, electricity, air-conditioning, treatment of sewage, and elevator and all related labour and administrative services to the Company. Neptunus Pharmaceutical has also undertaken to the Company that the Neptunus Industrial Complex together with the lyophilisation machine and common facilities located at the Neptunus Industrial Complex will comply with the GMP standards as amended from time to time. The fees payable under the Service Agreement, including equipment and facilities usage fees, labour fees, energy fees and administrative fees, will be calculated on a cost reimbursement basis by reference to the actual cost incurred in providing such services. Payment will be proportional to the actual staff time incurred in production of the rhIFNα2b for injection and rhIL-2 (125 Ser) for injection.

It is expected that the aggregate estimated annual service fees payable by the Company to Neptunus Pharmaceutical under the Service Agreement for each of the three years ending 31 December 2005, 2006 and 2007 will not exceed RMB2,107,000, RMB2,335,000 and RMB2,862,000 respectively. The estimated annual fees payable by the Company to Neptunus Pharmaceutical will account for approximately 22.5%, 22.5% and 22.5% of the estimated total production costs of the Company in respect of the two products in 2005, 2006, 2007 respectively.

On 29 August 2005, the Stock Exchange granted the waiver in respect of the above continuing connected transaction to the Company waiving it from strict compliance with the announcement requirement for continuing connected transactions under Rule 20.47 of the GEM Listing Rules. For the year ended 31 December 2005, the Company has reimbursed to Neptunus Pharmaceutical the aggregate service fees of approximately RMB1,868,000, accounting for approximately 28.8% of the Company's total production expenses, the above mentioned service fees does not exceed the annual caps granted under the above mentioned waiver.

(2) On 21 August 2005, the Company and Shandong Neptunus Yinhe Pharmaceutical Company Limited ("Shandong Neptunus") (a subsidiary of Neptunus Bio-engineering), entered into a Distributorship Agreement ("Distributorship Agreement"), pursuant to which Shandong Neptunus was appointed the non-exclusive distributor of the products the Company in Shandong Province of the PRC commencing from 21 August 2005. The Distributorship Agreement will expire on 31 December 2007. The prices of the Company's products to be sold to Shandong Neptunus will be determined with reference to the market prices and on the basis that the terms of the sale and the prices of the products will not be less favorable than those offered by other independent parties for similar products.

It is expected by the Directors that the Company's sales to Shandong Neptunus under the Distributorship Agreement will not exceed RMB2,612,000, RMB3,265,000 and RMB4,081,000 for the three years ending 31 December 2005, 2006 and 2007 respectively.

On 29 August 2005, the Stock Exchange granted the waiver in respect of the above continuing connected transaction to the Company waiving it from strict compliance with the announcement requirement for continuing connected transactions under Rule 20.47 of the GEM Listing Rules.

Report of the Directors (cont'd)

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS *(cont'd)*

The Company and Shandong Neptunus have signed three confirmation letters on 30 November 2005 and the Company has made an announcement in respect of the revised caps for continuing connected transaction on 8 December 2005 to revise the annual caps for the three years ending 31 December 2005, 31 December 2006 and 31 December 2007 to RMB8,500,000, RMB9,000,000 and RMB9,500,000, respectively.

The Directors also consider the above Service Agreement and the Distributorship Agreement signed between the Company and the two subsidiaries of Neptunus Bio-engineering as the contracts of significance as defined under Rule 18.26 of the GEM Listing Rules.

Connected transactions and continuing connected transaction undertaken by the Company during the year are also set out in note 28 to the financial statement.

The independent non-executive directors of the Company have reviewed and confirmed that the connected and continuing connected transactions entered into by the Company were:

(i) in the ordinary course of the Company's businesses either on normal commercial terms or on terms no less favourable to the Company than terms available to or from independent third parties;

(ii) in accordance with the terms of the agreements governing the transactions on terms that were fair and reasonable and in the interests of the shareholders of the Company as a whole; and

(iii) within the prescribed limits as set out in the waiver letters in respect of the connected transactions granted by the Stock Exchange to the Company or the caps as disclosed in the Company's announcement in relation to the continuing connected transactions.

MANAGEMENT CONTRACTS

There was no management and administrative contract relating to the business as a whole or any principal operations of the Company entered into by the Company for the year ended 31 December 2005.

COMPLIANCE ADVISER'S INTEREST

Pursuant to the compliance adviser agreement dated 29 August 2005 entered into between the Company and First Shanghai Capital Limited ("First Shanghai"), First Shanghai has been appointed as the compliance adviser as required under the GEM Listing Rules for the period from 12 September 2005 to the date on which the Company complies with the Rule 18.03 of the GEM Listing Rules in respect of the Company's financial results for the year ended 31 December 2007. First Shanghai is paid for acting as the Company's compliance adviser.

As at the date of this report, as notified by First Shanghai, save as disclosed above, neither First Shanghai nor its respective directors, employees or associates (as defined in the GEM Listing Rules) had any interest in the securities of the Company, or had any options or rights to subscribe for or to nominate persons to subscribe for the securities of the Company as at 31 December 2005.

Report of the Directors (cont'd)

COMPETING INTERESTS

On 21 August 2005, Neptunus Bio-engineering, the controlling shareholder of the Company entered into an agreement with the Company containing undertakings relating to non-competition and preferential right of investment (the "Non Competition Undertakings"), pursuant to which, Neptunus Bio-engineering has , inter alia, undertaken to the Company and its associates that as long as the securities of the Company are listed on GEM:

(1) it will not, and will procure its associates not to, whether within or outside the PRC, directly or indirectly (other than those indirectly held as a result of its equity interest in any listed company or its subsidiaries), participate in or operate any business in whatever form or produce any products, the usage of which is same as or similar to that of the products of the Company, which may constitute direct or indirect competition to the business operated by the Company from time to time; and

(2) it will not, and will procure its associates not to, hold any interest, whether within or outside the PRC, in any company or organisation (directly or indirectly, other than those indirectly held as a result of its equity interest in any listed company or its subsidiaries) when the business of such company or entity will (or may) compete directly or indirectly with the business of the Company.

Pursuant to the Non Competition Undertakings, during the term of the Non Competition Undertakings, when Neptunus Bio-engineering or its associates enter into any negotiations, within or outside the PRC, in relation to any new investment project which may compete with the existing and future business of the Company, the Company is also entitled to the preferential right of investment in such new investment projects.

POST BALANCE SHEET EVENT

Details of the significant post balance sheet event of the Company are set out in note 31 to the financial statements.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the period commencing from the Listing Date of the Company to 31 December 2005, the Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry with all the Directors, all the Directors have confirmed that they did not conduct any transaction in respect of the Company's securities during the above mentioned period and the Company is not aware of any non-compliance by any of the Directors with the required standard of dealings and the Company's code of conduct regarding securities transactions by the Directors.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

Report of the Directors (cont'd)

AUDIT COMMITTEE

The Company established an Audit Committee on 21 August 2005 with terms of reference in compliance with the Rules 5.28 and 5.33 of the GEM Listing Rules. The primary duties of the Audit Committee are to review the Company's annual reports and financial statements, half-year reports and quarterly reports, and to provide suggestions and opinions thereon to the Board. In addition, the Audit Committee members will also meet with management to review the accounting principles and practices adopted by the Company and to discuss matters relating to the auditing, internal control system and financial reporting process of the Company. The Audit Committee comprises one non-executive Director, namely Ms. Yu Lin and two independent non-executive Directors, namely Mr. Yick Wing Fat, Simon and Mr. Poon Ka Yeung. Mr. Yick Wing Fat, Simon is the chairman of the Audit Committee.

The Audit Committee has reviewed the audited results for the year ended 31 December 2005.

STAFF RETIREMENT SCHEME

Details of the staff retirement scheme of the Company are set out in note 6 to the financial statements.

AUDITORS

Ernst & Young ("EY") was appointed as the auditors of the Company in 2005. A resolution for the re-appointment of EY as auditors of the Company will be proposed at the forthcoming annual general meeting.

On 20 December 2005, the Company announced that Shenzhen Dahua Tiancheng Certified Public Accountants ("Dahua CPA") had resigned as the PRC auditors of the Company with effect from 13 December 2005. Following the resignation of Dahua CPA, the Directors resolved to propose to the shareholders of the Company to appoint Moore Stephens Certified Public Accountants ("Moore Stephens") as the new PRC auditors of the Company. A resolution for the appointment of Moore Stephens as the PRC auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD
Zhang Si Min
Chairman

Shenzhen, the PRC
29 March 2006

Corporate Governance Report

INTRODUCTION

In the opinion of the Directors, the Company has complied with all the code provisions on Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules during the period up to 31 December 2005 commencing from 12 September 2005. The Company will continue to improve the standard of corporate governance of the Company to ensure that the Company operates its business in an honest and responsible manner.

BOARD OF DIRECTORS

The Board comprises eight Directors, of whom three are executive Directors, two are non-executive Directors and three are independent non-executive Directors. The participation of non-executive Directors in the Board brings independent judgement on issues relating to the Company's strategy, performance, conflicts of interest and management process to ensure that the interests of all shareholders of the Company have been duly considered. One of the independent non-executive Directors has the appropriate professional qualifications or accounting or related financial management expertise.

Details of backgrounds and qualifications of the chairman of the Board and the other Directors are set out in the Directors' Report. All Directors have given sufficient time and attention to the affairs of the Company. Each executive Director has sufficient experience to hold the position so as to carry out his/her duties effectively and efficiently.

Each of the non-executive Directors has entered into a service contract with the Company for a term of three years and is subject to termination by either party giving not less than three months' prior written notice to the other.

The Board considers that all of the independent non-executive Directors are independent persons and has received from each of them the annual confirmation of independence required by the GEM Listing Rules.

The Board members for the year ended 31 December 2005 are:

Executive Directors
Mr. Zhang Si Min *(Chairman)*
Mr. Chai Xiang Dong
Ms. Wang Yan

Non-executive Directors
Mr. Shao Chun Jie
Ms. Yu Lin

Independent non-executive Directors
Mr. Yick Wing Fat, Simon
Mr. Poon Ka Yeung
Mr. Lu Sun

The Board is responsible for the approval and monitoring of the Company's overall strategies and policies; approval of business plans; evaluating the performance of the Company and oversight of management. It is also responsible for promoting the success of the Company and its businessed by directing and supervising the Company's affairs.

The Board focuses on overall strategies and policies with particular attention paid to the growth and financial performance of the Company. The Board delegates day-to-day operations of the Company to executive Directors and senior management, while reserving certain key matters for its approval. Decisions of the Board are communicated to the management through executive Directors who have attended at Board meetings.

Corporate Governance Report (Cont'd)

BOARD OF DIRECTORS *(cont'd)*

The Board held a board meeting for each quarter. Details of the attendances of the Board are as fellows:

Directors	Attendance
Mr. Zhang Si Min	2/6
Mr. Chai Xiang Dong	6/6
Ms. Wang Yan	6/6
Mr. Shao Chun Jie	1/6
Ms. Yu Lin	6/6
Mr. Yick Wing Fat, Simon	6/6
Mr. Poon Ka Yeung	4/6
Mr. Lu Sun	4/6

Apart from the above regular board meetings of the year, the Directors will meet on other occasions when a board-level decision on a particular matter is required. The Directors will receive details of agenda items for decision and minutes of committee meetings in advance of each board meeting.

CHAIRMAN AND THE GENERAL MANAGER

Mr. Zhang Si Min assumes the role of the chairman of the Company. Mr. Zhang leads the Board and is responsible for the proceedings and workings of the Board. He ensures that:

- the Board acts in the best interests of the Company; and
- the Board functions effectively, and that all key and appropriate issues are properly briefed and discussed by the Board.

Mr. Chai Xiang Dong assumes the role of the general manager of the Company, and is responsible for the Company's day-to-day management and overall activities. The Articles of the Association of the Company has set out the role and powers of the chairman of the Board and the general manager in details.

REMUNERATION COMMITTEE

The Remuneration Committee was established on 21 August 2005 and comprising one executive Director and two independent non-executive Directors, namely Mr. Zhang Si Min, Mr. Yick Wing Fat, Simon and Mr. Poon Ka Yeung. The scope of duties of the Remuneration committee is stated in the Corporate Governance Handbook of the Company.

The principal terms of reference of the Remuneration Committee are prepared in accordance with the GEM Listing Rules and include:

- to make recommendations to the Board on the Company's policy and structure for all remuneration of the Directors and the senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration;

- to determine the remuneration packages of all executive Directors and the senior management of the Company and make recommendations to the Board of the remuneration of the non-executive Directors;

- to review and approve their performance-based remuneration by reference to corporate goals and objectives of the Company resolved by the Board from time to time.

Corporate Governance Report (Cont'd)

REMUNERATION COMMITTEE *(cont'd)*

The principal elements of executive remuneration package include basic salary and discretionary bonus. The emoluments of executive Directors are based on skill, knowledge and involvement in the Company's affairs of each Director and are determined by reference to the Company's performance and profitability, as well as remuneration benchmark in the industry and the prevailing market conditions.

The Remuneration Committee shall consult the chairman of the Board and the general manager about its proposals relating to the remuneration of the other executive Directors. During the year, no meeting was held. A meeting of the Remuneration Committee will be convened in 2006 to determine the policy on the remuneration of the executive Directors and assess the performance of the executive Directors.

NOMINATION OF DIRECTORS

No Nomination Committee is established by the Company. Qualified candidates will be recommended to the Shareholders of the Company for consideration by the Board and the selection criteria for the additional Director are mainly based on the assessment of their professional qualifications and experience.

The three independent non-executive Directors nominated by the Board and appointed by the shareholders this year include Mr. Yick Wing Fat, Simon, Mr. Poon Ka Yeung and Mr. Lu Sun.

AUDITORS' REMUNERATION

An amount of approximately RMB678,000 (2004: RMB30,000) was charged to the Company's income statement for the year ended 31 December 2005. There was no significant non-audit service assignment undertaken by the auditors during the year.

AUDIT COMMITTEE

The Audit Committee was established in August 2005 to review the Company's annual report and financial statements, supervise the financial reporting process and internal controls system of the Company and make relevant recommendations to the Board. The scope of duties of the Audit Committee is set out in the Corporate Governance Handbook of the Company.

The Audit Committee comprises a non-executive Director and two independent non-executive Directors, namely Ms. Yu Lin, Mr. Yick Wing Fat, Simon and Mr. Poon Ka Yeung. The chairman of the Audit Committee is Mr. Yick Wing Fat, Simon.

The Audit Committee held two meetings in 2005. The third quarterly report in 2005 of the Company has been reviewed by the Audit Committee, which was of the opinion that such reports were prepared in accordance with the applicable accounting standards and requirements. The Audit Committee also monitors the Company's progress in implementing the code provisions on corporate governance practices as required under the GEM Listing Rules.

DIRECTORS' AND AUDITORS' RESPONSIBILITIES FOR ACCOUNTS

The Directors' responsibilities for the accounts can be found in this Annual Report. The responsibilities of the external auditors are also stated in the Auditors' Report.

Corporate Governance Report (Cont'd)

INTERNAL CONTROL

The Company has conducted a review of its system of internal control periodically to ensure the effective and adequate internal control system. The Company convened meeting periodically to discuss financial, operational and risk management control. The Directors are of the view that the existing system of internal control is effective and adequate to the Company.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the period commencing from the Listing Date to 31 December 2005, the Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealing set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry with all the Directors, all the Directors have confirmed that they did not conduct any transaction in respect of the Company's securities during the above mentioned period and the Company is not aware of any non-compliance by any of the Directors with the required standard of dealings and the Company's code of conduct regarding securities transactions by the Directors.

Report of the Auditors

ERNST & YOUNG
安 永 會 計 師 事 務 所

To the members
Shenzhen Neptunus Interlong Bio-technique Company Limited
(Registered in the People's Republic of China with limited liability)

We have audited the financial statements on pages 27 to 60 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently. It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

BASIS OF OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company as at 31 December 2005 and of the loss and cash flows of the Company for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants

Hong Kong
29 March 2006

Income Statement

Year ended 31 December 2005

	Notes	2005 RMB'000	2004 RMB'000
REVENUE	5	**49,383**	48,248
Cost of sales		**(7,708)**	(7,959)
Gross profit		**41,675**	40,289
Other income and gain	5	**702**	2,240
Selling and distribution costs		**(27,749)**	(23,704)
Administrative expenses		**(5,730)**	(3,178)
Other operating expenses		**(6,788)**	(4,338)
PROFIT FROM OPERATING ACTIVITIES	6	**2,110**	11,309
Finance costs	7	**(1,168)**	(1,088)
PROFIT BEFORE TAX		**942**	10,221
Tax	9	**(1,102)**	(1,643)
NET PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		**(160)**	8,578
DIVIDENDS	10	**–**	–
EARNINGS/(LOSS) PER SHARE (RMB cents)			
Basic	11	**(0.02)**	1.21

Balance Sheet

Year ended 31 December 2005

	Notes	2005 RMB'000	2004 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	*12*	**87,162**	24,428
Prepaid land lease payments	*13*	**8,796**	–
Intangible assets	*14*	**9,931**	8,849
Prepayments for purchase of technical know-how		**17,643**	13,270
Deferred tax assets	*17*	**254**	77
		123,786	46,624
CURRENT ASSETS			
Inventories	*15*	**3,515**	3,657
Trade receivables	*16*	**21,399**	20,391
Prepayments, deposits and other receivables		**4,142**	8,191
Due from related parties	*18*	**3,739**	2,935
Pledged deposits	*19*	**8,345**	–
Cash and cash equivalents	*19*	**63,604**	32,605
		104,744	67,779
CURRENT LIABILITIES			
Trade payables	*20*	**543**	187
Other payables and accruals		**6,055**	3,487
Interest-bearing bank loans	*21*	**55,000**	20,000
Due to related parties	*18*	**11,016**	2,549
Tax payable		**3,024**	2,019
		75,638	28,242
NET CURRENT ASSETS		**29,106**	39,537
TOTAL ASSETS LESS CURRENT LIABILITIES		**152,892**	86,161
NON-CURRENT LIABILITY			
Deferred revenue	*22*	**4,301**	3,000
Total non-current liability		**4,301**	3,000
Net assets		**148,591**	83,161
EQUITY			
Issued capital	*23*	**94,667**	71,000
Reserves	*24*	**53,924**	12,161
Total equity		**148,591**	83,161

Statement of Changes in Equity

Year ended 31 December 2005

	Issued share capital RMB'000 *(Note 23)*	**Share premium account** RMB'000 *(Note 23)*	**Statutory surplus reserve fund** RMB'000 *(Note 24)*	**Statutory public welfare fund** RMB'000 *(Note 24)*	**Retained profits** RMB'000	**Subtotal of reserves** RMB'000	**Total** RMB'000
At 1 January 2004	71,000	–	1,188	594	1,801	3,583	74,583
Net profit for the year	–	–	–	–	8,578	8,578	8,578
Appropriation to the statutory surplus reserve fund	–	–	752	–	(752)	–	–
Appropriation to the statutory public welfare fund	–	–	–	376	(376)	–	–
At 31 December 2004	71,000	–	1,940	970	9,251	12,161	83,161
Shares issued on placing	23,667	57,750	–	–	–	57,750	81,417
Share issue expenses	–	(15,827)	–	–	–	(15,827)	(15,827)
Net loss for the year	–	–	–	–	(160)	(160)	(160)
Appropriation to the statutory surplus reserve fund	–	–	280	–	(280)	–	–
Appropriation to the statutory public welfare fund	–	–	–	140	(140)	–	–
At 31 December 2005	**94,667**	**41,923**	**2,220**	**1,110**	**8,671**	**53,924**	**148,591**

Cash Flow Statement

Year ended 31 December 2005

	Notes	2005 RMB'000	2004 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**942**	10,221
Adjustments for:			
Interest income	5	**(266)**	(933)
Finance costs	7	**1,168**	1,088
Depreciation	6	**2,540**	2,184
Amortisation of intangible assets	6	**1,062**	1,054
Recognition of prepaid land lease payments	6	**60**	–
(Gain)/loss on disposal of items of property, plant and equipment	6	**(16)**	32
Operating cash flow before working capital changes		**5,490**	13,646
Decrease in inventories		**142**	2,012
(Increase) in trade receivables		**(1,109)**	(5,713)
(Increase) in prepayments, deposits and other receivables		**(452)**	(1,796)
(Increase) in amounts due from related parties		**(804)**	(807)
Increase in trade payables		**356**	50
Increase/(decrease) in other payables and accruals		**2,568**	(1,991)
(Decrease) in amounts due to related parties		**(533)**	(583)
Increase in deferred revenue		**1,301**	2,000
Cash generated from operations		**6,959**	6,818
Income tax paid		**(274)**	(555)
Interest paid		**(1,168)**	(1,056)
Net cash inflow from operating activities		**5,517**	5,207
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment	12	**(65,408)**	(17,314)
Additions to technical know-how	14	**(2,144)**	(1,350)
Prepayments for purchase of technical know-how		**(3,000)**	(270)
Prepaid land lease payments	13	**(9,037)**	–
Proceeds from disposal of items of property, plant and equipment		**150**	30
Advance from an unconsolidated subsidiary		**–**	320
Advance from related parties		**–**	86
Repayment of loans from a shareholder		**–**	50,055
Advances of loans to a shareholder		**–**	(50,000)
Interest received		**266**	933
Increase in pledged deposits	19	**(8,345)**	–
Net cash outflow from investing activities		**(87,518)**	(17,510)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares	23	**81,417**	–
New bank loans	21	**55,000**	20,000
Repayment of bank loans		**(20,000)**	(21,000)
Loan from a shareholder	18	**9,000**	–
Share issue expenses		**(12,417)**	(713)
Net cash inflow/(outflow) from financing activities		**113,000**	(1,713)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**30,999**	(14,016)
Cash and cash equivalents at beginning of year		**32,605**	46,621
CASH AND CASH EQUIVALENTS AT END OF YEAR		**63,604**	32,605
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	19	**63,604**	32,605

Notes to the Financial Statements

for the year ended 31 December 2005

1. CORPORATE INFORMATION

The Company is a limited liability company registered in the People's Republic of China (the "PRC"). The registered office of the Company is located at 24th Floor, Block A, Neptunus Building, Nanyou Avenue, Nanshan District, Shenzhen, Guangdong Province, the PRC.

During the year, the Company was principally engaged in the research and development of modern biological technology, and the production and sale of cytokines category protein therapeutic drugs.

2.1 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS")

The Hong Kong Institute of Certified Public Accountants issued a number of new or revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (herein collectively referred to as the "new and revised HKFRSs") in 2004, which are generally effective for accounting periods beginning on or after 1 January 2005.

The following new and revised HKFRSs are relevant for the Company's financial statements and have been adopted for the financial information in the prospectus distributed in 2005 (the "Prospectus") and for the current year's financial statements:

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 Amendment	Transition and Initial Recognition of Financial Assets and Financial Liabilities

The adoption of HKASs 1, 2, 7, 8, 10, 12, 14, 16, 18, 19, 21, 27, 32, 33, 36, 37, 38 and 39 has had no material impact on the accounting policies of the Company and the methods of computation in the Company's financial statements.

HKAS 24 provides additional guidance and clarity to the definition and disclosures of related parties and related party transactions. Upon the adoption of HKAS 24, the related disclosures are now more extensive than previously required.

The impact of adopting HKAS 17 – Leases is summarised as follows:

In prior years, leasehold land and buildings held for own use were stated at cost less accumulated depreciation and any impairment losses.

Notes to the Financial Statements (cont'd)

for the year ended 31 December 2005

2.1 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS") *(cont'd)*

Upon the adoption of HKAS 17, the Company's leasehold interest in land and buildings is separated into leasehold land and leasehold buildings. The Company's leasehold land is classified as an operating lease, because the title of the land is not expected to pass to the Company by the end of the lease term, and is reclassified from property, plant and equipment to prepaid land lease payments, while leasehold buildings continue to be classified as part of property, plant and equipment. Prepaid land lease prepayments under operating leases are initially stated at cost and subsequently amortised on the straight-line basis over the lease term. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

As the Company's leasehold land was acquired firstly in 2005, this change in accounting policy has had no effect on the income statement and retained profits.

2.2 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Company has not applied the following new and revised HKFRSs applicable to these financial statements, which have been issued but are not yet effective, to these financial statements. Unless otherwise stated, these HKFRSs are effective for annual periods beginning on or after 1 January 2006:

HKAS 1 Amendment	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease

The HKAS 1 Amendment shall be effective for accounting periods beginning on or after 1 January 2007. The revised standard will affect the disclosures about qualitative information about the Company's objective, policies and processes for managing capital; quantitative data about what the Company regards as capital; and compliance with any capital requirements and the consequences of any non-compliance.

HKFRS 7 will replace HKAS 32 and has modified the disclosure requirements of HKAS 32 relating to financial instruments. This HKFRS shall be effective for accounting periods beginning on or after 1 January 2007.

The Company has already commenced an assessment of these HKFRSs but is not yet in a position to state whether these HKFRSs would have a significant impact on its results of operations and financial position.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRS") (which also include Hong Kong Accounting Standards ("HKAS") and Interpretations) issued by Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical convention. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Impairment of assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets, investment properties, goodwill and non-current assets/disposal groups classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash flows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Notes to the Financial Statements (cont'd)

for the year ended 31 December 2005

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

Impairment of assets *(cont'd)*

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of such impairment loss is credited to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the Company if:

(a) the party, directly, or indirectly through one or more intermediaries, the party (i) controls, is controlled by, or is under common control with, the Company; (ii) has an interest in the Company that gives it significant influence over the Company; or (iii) has joint control over the Company;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Company or its parent;

(e) the party is a close member of family of an individual referred to in (a) or (d); or

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e).

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment and the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Plant and machinery	9%
Motor vehicles	18%
Furniture, fixtures and equipment	18%

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Notes to the Financial Statements (cont'd)

for the year ended 31 December 2005

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

Property, plant and equipment and depreciation *(cont'd)*

Construction in progress represents plant and machinery under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets

The useful lives of intangible assets are assessed to be finite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each balance sheet date.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Technical know-how

Technical know-how is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 10 years.

Computer software

Purchased computer software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 5 years.

Trademark

The registered trademark is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 10 years.

Research and development costs

All research costs are charged to the income statement as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Company can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding 10 years, commencing from the date when the products are put into commercial production.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Company is the lessee, rentals payable under operating leases are charged to the income statement on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Notes to the Financial Statements (cont'd)

for the year ended 31 December 2005

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

Investments and other financial assets

Applicable to the year ended 31 December 2004:

The Company classified its equity investments, other than subsidiaries, associates and jointly-controlled entities, as long term investments and short term investments.

Long term investments

Long term investments are non-trading investments in listed and unlisted equity securities intended to be held on a long term basis.

Listed securities are stated at their fair values on the basis of their quoted market prices at the balance sheet date, on an individual investment basis. Unlisted securities are stated at their estimated fair values, on an individual basis. The estimated fair values of unlisted investments are determined by the Directors having regard to, inter alia, the prices of the most recent reported sales or purchases of the securities, or comparison of price/earnings ratios and dividend yields of the securities with those of similar listed securities, with allowance made for the lower liquidity of the unlisted securities.

The gains or losses arising from changes in the fair value of a security are dealt with as movements in the investment revaluation reserve, until the security is sold, collected, or otherwise disposed of, or until the security is determined to be impaired, when the cumulative gain or loss derived from the security recognised in the investment revaluation reserve, together with the amount of any further impairment, is charged to the income statement in the period in which the impairment arises.

Short term investments

Short term investments are investments in equity securities held for trading purposes and are stated at their fair values on the basis of their quoted market prices at the balance sheet date, on an individual investment basis. The gains or losses arising from changes in the fair value of a security are credited or charged to the income statement in the period in which they arise.

Applicable to the year ended 31 December 2005:

Financial assets in the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Company determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

All regular way purchases and sales of financial assets are recognised on the trade date, i.e., the date that the Company commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category "financial assets at fair value through profit or loss". Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Gains or losses on investments held for trading are recognised in the income statement.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Notes to the Financial Statements (cont'd)

for the year ended 31 December 2005

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

Investments and other financial assets *(cont'd)*

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets in listed and unlisted equity securities that are designated as available-for-sale or are not classified in any of the other two categories. After initial recognition, available-for-sale financial assets are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the income statement.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models.

Impairment of financial assets

The Company assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in profit or loss.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Notes to the Financial Statements (cont'd)

for the year ended 31 December 2005

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

Investments and other financial assets *(cont'd)*

Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to the income statement. Impairment losses on equity instruments classified as available-for-sale are not reversed through profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Company retains the rights to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Company's continuing involvement is the amount of the transferred asset that the Company may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Company's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Company's cash management.

For the purpose of the balance sheets, cash and bank balances comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Renminbi ("RMB") is not freely convertible into foreign currencies. Under the Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Company is permitted to exchange RMB for foreign currencies through banks authorised to conduct foreign exchange business.

Notes to the Financial Statements (cont'd)

for the year ended 31 December 2005

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement, or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

– where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

– in respect of taxable temporary differences associated with investments in subsidiaries, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised except:

– where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

– in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual instalments or is deducted from the carrying amount of the asset and released to the income statement by way of a reduced depreciation charge.

Notes to the Financial Statements (cont'd)

for the year ended 31 December 2005

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow into the Company and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Company maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset; and

(c) from government subsidies, when they are received or when there is reasonable assurance that the subsidies will be received and on the basis set out under the accounting policy headed "Government grants" above.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

Retirement benefits

The Company participates in the central pension scheme (the "CPS") operated by the local government authorities for all of its employees. The Company is required to contribute a certain percentage of their covered payroll to the CPS to fund the benefits. The only obligation of the Company with respect to the CPS is to pay the ongoing required contribution under the CPS. Contributions under the CPS are charged to the income statement as they become payable in accordance with the rules of the CPS.

Foreign currencies

These financial statements are presented in Renminbi ("RMB"), which is the Company's functional and presentation currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All exchange differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Notes to the Financial Statements (cont'd)

for the year ended 31 December 2005

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(cont'd)*

Judgements

In the process of applying the Company's accounting policies, management has made the following judgements, apart from those involving estimations as discussed below, which have the most significant effect on the amounts recognised in the financial statements.

Impairment of assets

In determining whether an asset is impaired or the event previously causing the impairment no longer exists, the Company has to exercise judgement in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence; (2) whether the carrying value of an asset can be supported by the net present value of future cash flows which are estimated based upon the continued use of the asset or derecognition; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

Capitalised development expenditure

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Company can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. In the development phase of an internal project, the Company has to exercise judgement to identify an intangible asset and demonstrate that the asset will generate probable future economic benefits. To demonstrate how an intangible asset will generate probable future economic benefits, the Company assesses the future economic benefits to be received from the asset. If the asset will generate economic benefits only in combination with other assets, the Company applies the concept of cash-generating units.

Estimation uncertainty

The key assumption concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of the Company's assets and liabilities within the next financial year is discussed below.

Impairment test of assets

The Company determines whether an asset is impaired at least on an annual basis or where an indication of impairment exists. This requires an estimation of the value in use of the asset. Estimating the value in use requires the Company to make an estimate of the expected future cash flows from the assets and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

4. SEGMENT INFORMATION

The Company conducts its business within one business segment - the business of manufacturing and selling medicine products. The Company also operates within one geographical segment because its revenue is primarily generated in Mainland China. Accordingly, no further business or geographical segment information is disclosed.

Notes to the Financial Statements (cont'd)

for the year ended 31 December 2005

5. REVENUE, OTHER INCOME AND GAIN

Revenue, which is also the Company's turnover, represents the net invoiced value of goods sold net of value-added tax ("VAT") after allowances for returns and trade discounts.

An analysis of revenue, other income and gain is as follows:

	2005 RMB'000	2004 RMB'000
Revenue		
Sale of medicines	**49,383**	48,248
Other income and gain		
Bank interest income	**266**	226
Interest income for a loan receivable	**–**	707
Subsidy income	**420**	1,277
Gain on disposal of items of property, plant and equipment	**16**	–
Others	**–**	30
	702	2,240

6. PROFIT FROM OPERATING ACTIVITIES

The Company's profit from operating activities is arrived at after charging/(crediting):

	Notes	2005 RMB'000	2004 RMB'000
Cost of inventories sold		**6,446**	6,793
Recognition of prepaid land lease payments*	*13*	**60**	–
Depreciation	*12*	**2,540**	2,184
Amortisation of intangible assets*	*14*	**1,062**	1,054
Research and development costs**		**4,596**	3,905
Minimum lease payments under operating leases in respect of land and buildings		**1,179**	895
Auditors' remuneration		**678**	30
Staff costs (including directors' remuneration *(note 8)*):			
Salaries and wages		**12,904**	8,655
Pension scheme contributions		**457**	410
Foreign exchange differences, net		**155**	1
Provision for doubtful debts**		**2,192**	401
Write-off of obsolete inventories*		**140**	112
Bank interest income		**(266)**	(226)
Interest income for a loan receivable		**–**	(707)
(Gain)/loss on disposal of items of property, plant and equipment		**(16)**	32

* These amounts are included in "Cost of sales" on the face of the income statement.

** These amounts are included in "Other operating expenses" on the face of the income statement.

Notes to the Financial Statements (cont'd)

for the year ended 31 December 2005

7. FINANCE COSTS

	2005 RMB'000	2004 RMB'000
Interest on bank loans wholly repayable within one year	**1,140**	1,073
Others	**28**	15
	1,168	1,088

8. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

Directors' remuneration for the year, disclosed pursuant to the GEM Listing Rules and Section 161 of the Companies Ordinance, is as follows:

	2005 RMB'000	2004 RMB'000
Fees	**264**	–
Salaries, allowances and benefits in kind	**875**	875
Pension scheme contributions	**17**	18
	1,156	893

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year are as follows:

	2005 RMB'000	2004 RMB'000
Mr. Lu Sun	**39**	–
Mr. Yick Wing Fat, Simon	**77**	–
Mr. Poon Ka Yeung	**39**	–
	155	–

All the independent non-executive directors have been appointed since 21 August 2005. There were no other emoluments payable to the independent non-executive directors during the year.

Notes to the Financial Statements (cont'd)

for the year ended 31 December 2005

8. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES *(cont'd)*

(b) Executive directors and non-executive directors

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2005				
Executive directors:				
Mr. Zhang Si Min	**37**	**–**	**–**	**37**
Mr. Chai Xiang Dong	**–**	**500**	**9**	**509**
Ms. Wang Yan	**–**	**375**	**8**	**383**
	37	**875**	**17**	**929**
Non-executive directors:				
Mr. Shao Chun Jie	**36**	**–**	**–**	**36**
Ms. Yu Lin	**36**	**–**	**–**	**36**
	72	**–**	**–**	**72**
	109	**875**	**17**	**1,001**
2004				
Executive directors:				
Mr. Zhang Si Min	–	–	–	–
Mr. Chai Xiang Dong	–	500	9	509
Ms. Wang Yan	–	375	9	384
	–	875	18	893
Non-executive directors:				
Mr. Shao Chun Jie	–	–	–	–
Mr. Liu Guo Jian	–	–	–	–
	–	–	–	–
	–	875	18	893

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

The five highest paid employees during the year included two (2004: two) directors, details of whose remuneration are set out in note 8 above.

Notes to the Financial Statements (cont'd)

for the year ended 31 December 2005

8. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES *(cont'd)*

(b) Executive directors and non-executive directors *(cont'd)*

Details of the remuneration of the remaining three (2004: three) non-director, highest paid employees for the year are as follows:

	2005 RMB'000	2004 RMB'000
Salaries, allowances and benefits in kind	900	525
Pension scheme contributions	21	19
	921	544

The number of non-director, highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees	
	2005	2004
Nil to RMB1,000,000	3	3

9. TAX

The Company is located in the Shenzhen Special Economic Zone and is therefore subject to a corporate income tax rate of 15%. In accordance with the relevant income tax laws and regulations in the PRC, the Company was exempt from corporate income tax for two years commencing from its first year with assessable profits after deducting the tax losses brought forward, and was entitled to a 50% tax exemption for the next three years.

The year ended 31 December 2004 was the fifth year since the Company's first year of operations with assessable profits and accordingly, the Company was entitled to a 50% exemption from income tax for the year ended 31 December 2004.

As a high technology enterprise, the Company obtained the approval in 2004 for a 50% exemption from corporate income tax for three more years until the year ending 31 December 2007. Accordingly, the Company was entitled to a 50% exemption from income tax for the year ended 31 December 2005.

	2005 RMB'000	2004 RMB'000
Current year provision – PRC income tax	1,279	1,505
Deferred *(note 17)*	(177)	138
Tax charge for the year	1,102	1,643

Notes to the Financial Statements (cont'd)

for the year ended 31 December 2005

9. TAX *(cont'd)*

A reconciliation of the income tax expense applicable to profit before tax at the statutory income tax rates to the income tax expense at the Company's effective income tax rates for the year is as follows:

	2005 **RMB'000**	2004 RMB'000
Profit before tax	**942**	10,221
At statutory income tax rate of 7.5%	**71**	767
Tax effect on non-deductible expenses	**1,031**	876
Income tax charge at the Company's effective tax rate	**1,102**	1,643
The Company's effective tax rate	**117.0%**	16.1%

10. DIVIDENDS

No dividends were recommended by the Directors during the year (2004: Nil).

11. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the net loss for the year of RMB160,000 (2004: the net profit of RMB8,578,000) attributable to the ordinary equity holders of the Company and the weighted average number of 781,974,000 ordinary shares (2004: 710,000,000) in issue during the year, which has taken into consideration the stock split that occurred on 21 August 2005.

Diluted earnings per share for the years ended 31 December 2005 and 2004 have not been calculated because there were no potential dilutive ordinary shares existed during these years.

Notes to the Financial Statements (cont'd)

for the year ended 31 December 2005

12. PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery RMB'000	Motor vehicles RMB'000	Furniture, fixtures and equipment RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:					
At 1 January 2004	9,897	770	3,401	1,039	15,107
Additions	5,829	723	1,280	9,482	17,314
Transfers	1,763	–	8	(1,771)	–
Disposals	–	(216)	–	–	(216)
At 31 December 2004 and 1 January 2005	17,489	1,277	4,689	8,750	32,205
Additions	1,413	254	962	62,779	65,408
Disposals	–	(319)	–	–	(319)
At 31 December 2005	**18,902**	**1,212**	**5,651**	**71,529**	**97,294**
Accumulated depreciation:					
At 1 January 2004	3,656	378	1,713	–	5,747
Provided during the year	1,695	173	316	–	2,184
Disposals	–	(154)	–	–	(154)
At 31 December 2004 and 1 January 2005	5,351	397	2,029	–	7,777
Provided during the year	1,521	229	790	–	2,540
Disposals	–	(185)	–	–	(185)
At 31 December 2005	**6,872**	**441**	**2,819**	**–**	**10,132**
Net book value:					
At 31 December 2005	**12,030**	**771**	**2,832**	**71,529**	**87,162**
At 31 December 2004	12,138	880	2,660	8,750	24,428

As at 31 December 2005, certain of the Company's construction in progress with a net book value of approximately RMB52,420,000 (2004: Nil) were pledged to secure general banking facilities granted to the Company (note 21).

Notes to the Financial Statements (cont'd)

for the year ended 31 December 2005

13. PREPAID LAND LEASE PAYMENTS

	2005 **RMB'000**
Additions during the year	**9,037**
Recognised during the year	**(60)**
Carrying amount at 31 December 2005	**8,977**
Current portion included in prepayments, deposits and other receivables	**(181)**
Non-current portion	**8,796**

This piece of land is situated in Mainland China and is held under a medium term lease, which has a term of 50 years commencing from 18 August 2005.

As at 31 December 2005, the Company's land was pledged to secure general banking facilities granted to the Company (note 21).

Notes to the Financial Statements (cont'd)

for the year ended 31 December 2005

14. INTANGIBLE ASSETS

	Technical know-how RMB'000	Computer software RMB'000	Trademark RMB'000	Total RMB'000
Cost:				
At 1 January 2004	10,414	–	–	10,414
Additions – internal development	1,204	–	–	1,204
Additions – acquired separately	–	71	75	146
At 31 December 2004 and 1 January 2005	11,618	71	75	11,764
Additions – internal development	2,144	–	–	2,144
At 31 December 2005	**13,762**	**71**	**75**	**13,908**
Accumulated amortisation:				
At 1 January 2004	1,861	–	–	1,861
Provided during the year	1,040	10	4	1,054
At 31 December 2004 and 1 January 2005	2,901	10	4	2,915
Provided during the year	1,040	14	8	1,062
At 31 December 2005	**3,941**	**24**	**12**	**3,977**
Net book value:				
At 31 December 2005	**9,821**	**47**	**63**	**9,931**
At 31 December 2004	8,717	61	71	8,849

Notes to the Financial Statements (cont'd)

for the year ended 31 December 2005

15. INVENTORIES

	2005 RMB'000	2004 RMB'000
Raw materials	814	1,092
Work in progress	1,268	816
Finished goods	1,433	2,314
	3,515	4,222
Provision for inventory obsolescence	–	(565)
	3,515	3,657

16. TRADE RECEIVABLES

The Company's credit terms with its customers generally range from 180 to 270 days. The Company seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and that the Company's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at the balance sheet date, based on the invoice date, is as follows:

	2005 RMB'000	2004 RMB'000
Within 3 months	9,733	13,414
4 to 6 months	7,801	4,857
7 to 12 months	4,378	4,240
Over 1 year	8,361	4,462
	30,273	26,973
Provision for doubtful debts	(8,874)	(6,582)
	21,399	20,391

Notes to the Financial Statements (cont'd)

for the year ended 31 December 2005

17. DEFERRED TAX ASSETS

	2005 RMB'000	2004 RMB'000
Balance at beginning of year	77	215
Debit/(credit) for the year *(note 9)*	177	(138)
	254	77

The Company has nil tax losses as at 31 December 2005 (2004: Nil) that are available for offsetting against future taxable profits of a company in which the losses arose. Deferred tax assets are recognised in respect of deductible temporary differences for the years ended 31 December 2005 and 2004.

18. DUE FROM/TO RELATED PARTIES

Particulars of the amounts due from related parties are as follows:

				Maximum balance outstanding during the year	
	Notes	2005 RMB'000	2004 RMB'000	2005 RMB'000	2004 RMB'000
Shenzhen Neptunus Health & Technology Development Company Limited		–	1,079	1,079	1,079
Shandong Neptunus Pharmaceutical Sales Company Limited		–	409	409	409
Shandong Neptunus Yinhe Pharmaceutical Company Limited	*(i)*	3,739	1,447	3,739	1,448
		3,739	2,935		

Notes to the Financial Statements (cont'd)

for the year ended 31 December 2005

18. DUE FROM/TO RELATED PARTIES *(cont'd)*

Particulars of the amounts due to related parties are as follows:

	Notes	2005 RMB'000	2004 RMB'000
Shenzhen Neptunus Bio-engineering Company Limited	*(ii)*	**9,000**	217
Shenzhen Neptunus Pharmaceutical Company Limited	*(i)*	**2,016**	2,321
Shenzhen Neptunus Group Company Limited		**–**	11
		11,016	2,549

Notes:

(i) The balances with these related companies are all trading balances, and are unsecured, interest-free and have no fixed terms of repayment.

(ii) Shenzhen Neptunus Bio-engineering Company Limited ("Neptunus Bio-engineering") is the shareholder of the Company. The balance with Neptunus Bio-engineering is an advanced loan which is unsecured, interest-free and has no fixed terms of repayment (note 28 (i)).

19. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2005 RMB'000	2004 RMB'000
Cash and bank balances	**63,604**	32,605
Time deposits	**8,345**	–
	71,949	32,605
Less: Pledged for issuance of guarantee letter for constructions	**(8,345)**	–
Cash and cash equivalents	**63,604**	32,605

At the balance sheet date, the cash and bank balances of the Company denominated in Renminbi ("RMB") amounted to approximately RMB49,202,000 (2004: RMB31,551,000). The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Company is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at bank earns interest at floating rates based on daily bank deposits rates. Time deposits are made for varying periods of between three and six months depending on the immediate cash requirements of the Company, and earn interest at the respective time deposit rates. The carrying amounts of the cash and cash equivalents and the pledged deposits approximate to their fair values.

Notes to the Financial Statements (cont'd)

for the year ended 31 December 2005

20. TRADE PAYABLES

An aged analysis of the trade payables as at the balance sheet date, based on the invoice date, is as follows:

	2005 RMB'000	2004 RMB'000
Within 3 months	215	47
4 to 6 months	71	37
7 to 12 months	159	38
Over 1 year	98	65
	543	187

21. INTEREST-BEARING BANK LOANS

	Effective interest rate (%)	Maturity	2005 RMB'000	2004 RMB'000
Bank loan - unsecured	6.138	2006	20,000	20,000
Bank loan - secured	5.58	2006	35,000	–
			55,000	20,000

Notes:

(a) All of the Company's banking facilities amounting to RMB80,000,000 (2004: RMB20,000,000) were guaranteed by Neptunus Bio-engineering, the Company's controlling shareholder (note 28 (xiv)).

(b) Certain of the Company's banking facility amounting to RMB60,000,000 was secured by:

(i) mortgages over the Company's prepaid land lease payments situated in PRC, which had an aggregate carrying value at the balance sheet date of approximately RMB8,977,000 (2004: Nil); and

(ii) mortgages over the Company's construction in progress, which had an aggregate carrying value at the balance sheet date of approximately RMB52,420,000 (2004: Nil).

Unutilised banking facilities during the year amounting to RMB25,000,000 will be applied in 2006.

Notes to the Financial Statements (cont'd)

for the year ended 31 December 2005

22. DEFERRED REVENUE

In June 2003, a subsidy of RMB500,000 was jointly granted by the Shenzhen Bureau of Science and Technology and the Shenzhen Bureau of Finance for the acquisition of plant and machinery in relation to the production of interferon spray, of which RMB50,000 had been released to the income statement to match the depreciation charged for the year ended 31 December 2005 of the plant and machinery acquired. In July 2003, a subsidy of RMB500,000 was jointly granted by the Shenzhen Bureau of Science and Technology and the Shenzhen Bureau of Finance for financing the research and development of interferon ointment. These subsidies are not required to be repaid to the Shenzhen Bureau of Science and Technology and the Shenzhen Bureau of Finance only if the projects are subsequently approved and certified by the Shenzhen Bureau of Science and Technology and the Shenzhen Bureau of Finance upon their completion.

In December 2004, a subsidy of RMB2,000,000 was jointly granted by the Shenzhen Bureau of Science, Technology and Information and the Shenzhen Development and Reform Bureau as a science and technology fund. A further subsidy of RMB1,000,000 of the same purpose was received by the Company in July 2005. These subsidies are not required to be repaid and an amount of RMB49,000 had been released to the income statement to match the depreciation charged for the year ended 31 December 2005 of the plant and machinery acquired.

In December 2005, a subsidy of RMB400,000 was granted by the Shenzhen Bureau of Finance for financing the research and development of interferon vaginal effervescent tablets. The subsidy is not required to be repaid to the Shenzhen Bureau of Finance only if the project is subsequently approved and certified by the Shenzhen Bureau of Science, Technology and Information upon its completion.

23. SHARE CAPITAL

	2005 **RMB'000**	2004 RMB'000
Shares		
Authorised, issued and fully paid:		
946,670,000 (2004: 710,000,000) ordinary shares of RMB0.10 each	**94,667**	71,000

During the year, the movements in share capital are as follows:

(a) Pursuant to a written resolution of the shareholders of the Company passed on 21 August 2005, the shareholders authorised the Company to sub-divide the Company's 71,000,000 issued domestic shares of a nominal value of RMB1.00 each into 710,000,000 issued domestic shares of RMB0.10 each; and the authorised share capital of the Company was increased from RMB71,000,000 to RMB94,667,000 by the creation of 236,670,000 ordinary shares of RMB0.10 each.

(b) On 12 September 2005, 236,670,000 ordinary shares of RMB0.10 each were issued to the public as a placement at a price of HK$0.33 (equivalent to approximately RMB0.34) per share for a total cash consideration, before the related issue expenses, of HK$78,101,000 (equivalent to approximately RMB81,417,000).

Notes to the Financial Statements (cont'd)

for the year ended 31 December 2005

23. SHARE CAPITAL *(cont'd)*

A summary of the transactions during the year with reference to the above movements in the Company's issued ordinary share capital is as follows:

		Number of shares in issue	Issued share capital RMB'000	Share premium account RMB'000	Total RMB'000
At 1 January 2005		710,000,000	71,000	–	71,000
Shares issued on placing	*(b)*	236,670,000	23,667	57,750	81,417
Share issue expenses		–	–	(15,827)	(15,827)
At 31 December 2005		**946,670,000**	**94,667**	**41,923**	**136,590**

24. RESERVES

	Share premium account RMB'000	Statutory funds * RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2004	–	1,782	1,801	3,583
Net profit for the year	–	–	8,578	8,578
Transfer from retained profits	–	1,128	(1,128)	–
At 31 December 2004	–	2,910	9,251	12,161
Shares issued on placing	57,750	–	–	57,750
Share issue expenses	(15,827)	–	–	(15,827)
Net loss for the year	–	–	(160)	(160)
Transfer from retained profits	–	420	(420)	–
At 31 December 2005	**41,923**	**3,330**	**8,671**	**53,924**

* The Company is required to follow the laws and regulations of the PRC and the Company's articles of association to provide for certain statutory funds, namely, the statutory surplus reserve fund and the statutory public welfare fund which are appropriated from net profit after tax but before dividend distribution.

Notes to the Financial Statements (cont'd)

for the year ended 31 December 2005

24. RESERVES *(cont'd)*

Statutory surplus reserve fund

The Company is required to allocate at least 10% of its net profit per the PRC audited statutory financial statements to the statutory surplus reserve fund until the balance of such reserve has reached 50% of the Company's issued share capital. Any further appropriation is optional. The statutory surplus reserve fund shall only be used for making up losses or for capitalisation into share capital, provided that the remaining balance is not less than 25% of the issued share capital after such capitalisation.

Statutory public welfare fund

The Company is required to appropriate, at the discretion of its board of directors, 5% to 10% of its net profit per the PRC audited statutory financial statements to the statutory public welfare fund. The statutory public welfare fund can only be utilised for capital items for employee collective welfare, such as dormitories and other facilities for the Company's employees, and can not be used to pay for staff welfare expenses. The title to these capital items will remain with the Company.

When the Company's statutory surplus reserve fund is not sufficient to compensate for its previous years' losses, its current year's net profit shall be used to make good the losses before allocations are set aside to the statutory surplus reserve fund or the statutory public welfare fund.

25. PLEDGE OF ASSETS

Details of the Company's bank loans which are secured by the assets of the Company are set out in note 21 to the financial statements.

26. OPERATING LEASE ARRANGEMENTS

The Company leases certain of the office premises and factory premises under operating lease arrangements. Leases for the office premises and the factory premises are negotiated for terms of one and two years, respectively.

At 31 December 2005, the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2005	2004
	RMB'000	RMB'000
Within one year	**577**	1,035
In the second to fifth years, inclusive	**–**	138
	577	1,173

Notes to the Financial Statements (cont'd)

for the year ended 31 December 2005

27. COMMITMENTS

In addition to the operating lease commitments detailed above, the Company had the following capital commitments at the balance sheet date:

	2005 **RMB'000**	2004 RMB'000
Contracted, but not provided for:		
Technical know-how, net of deposits	**17,507**	17,230
Property, plant and equipment	**50,966**	2,782
Land lease payments, net of deposits*	**5,500**	14,274
	73,973	34,286
Authorised, but not contracted for:		
Property, plant and equipment	**51,150**	–
	51,150	–
	125,123	34,286

* The Company entered into a contract with Baoan Development Company on 17 September 2004 (as supplemented by a supplemental agreement dated on the same date), pursuant to which Baoan Development Company agreed to provide to the Company basic facilities for a piece of land in Guangming Hi-Tech Industrial Park of Shenzhen, which has been acquired by the Company (note 13), and assist the Company in the approval and registration procedures of the Company's development project being carried out on the land. Pursuant to the contract, the park development integrated fees (the "PDI fees") is RMB6,000,000 and a deposit of RMB500,000 has been paid as of the balance sheet date. The final amount of the PDI fees is subject to a waiver to be granted by the People's Government of Baoan District.

Notes to the Financial Statements (cont'd)

for the year ended 31 December 2005

28. RELATED PARTY TRANSACTIONS

In addition to those transactions and balances disclosed elsewhere in these financial statements, the Company had the following significant transactions with related parties during the year:

Name of related parties	Nature of transactions	Notes	2005 RMB'000	2004 RMB'000
Neptunus Bio-engineering	Loans to the shareholder#	*(xii)*	**–**	50,000
	Interest income receivable#	*(xii)*	**–**	707
	Loan from the shareholder##	*(i)*	**9,000**	–
Shenzhen Neptunus Pharmaceutical Company Limited	Rental of factory premises##	*(ii) (iii)*	**120**	120
	Recharge on the use of plant and machinery##	*(ii) (iv)*	**532**	511
	Recharge of direct labour costs##	*(ii) (v)*	**405**	152
	Recharge of water, electricity and fuel costs##	*(ii) (vi)*	**851**	469
	Management fees##	*(ii) (vii)*	**27**	20
	Property management fees##	*(ii) (viii)*	**53**	53
Shenzhen Nepstar Pharmaceutical Company Limited	Sale of interferon#	*(ii) (ix)*	**148**	65
Shandong Neptunus Yinhe Pharmaceutical Company Limited	Sale of interferon and interleukin##	*(ii) (ix)*	**5,141**	2,089
	Disposal of an unconsolidated subsidiary#	*(ii) (xiii)*	**–**	18,000
Shenzhen Neptunus Group Company Limited*	Recharge of telephone system costs##	*(x)*	**15**	17
Shenzhen Neptunus Tongai Pharmaceutical Company Limited	Rental of office premises##	*(ii) (xi)*	**198**	198
	Rental of factorypremises##	*(ii) (xi)*	**–**	–

* Shenzhen Neptunus Group Company Limited is the ultimate holding company of the Company.

\# These transactions ceased subsequent to the listing of the Company's shares on the GEM of the Stock Exchange of Hong Kong Limited.

\## These transactions continued subsequent to the listing of the Company's shares on the GEM of the Stock Exchange of Hong Kong Limited.

Notes to the Financial Statements (cont'd)

for the year ended 31 December 2005

28. RELATED PARTY TRANSACTIONS *(cont'd)*

Notes:

(i) On 17 August 2005, the Company obtained an interest-free loan (the "NB Loan") in the amount of RMB9,000,000 from Neptunus Bio-engineering, the controlling shareholder of the Company. No written agreement has been entered into between the Company and Neptunus Bio-engineering in respect of the NB Loan, which is unsecured and has no fixed terms of repayment.

(ii) The ultimate holding company of these related parties is also the ultimate holding company of the Company. The director Mr. Zhang Si Min of the Company is also the Director of these related parties, except for Shandong Neptunus Yinhe Pharmaceutical Company Limited.

(iii) The rental of factory premises was charged at pre-agreed rates with reference to market prices.

(iv) The recharge on the use of plant and machinery was based on pre-agreed rates with reference to the useful lives of the plant and machinery and the estimated utilisation rates of the Company on those assets.

(v) The recharge of direct labour costs was based on pre-agreed rates with reference to the market rate of the labour wages and the number of labour hours incurred for the production.

(vi) The recharge of water, electricity and fuel costs was based on pre-agreed rates with reference to the Company's production activities.

(vii) The management fees were charged at pre-agreed rates.

(viii) The property management fees were charged at pre-agreed rates.

(ix) The Company sold interferon and interleukin to these related parties during the year. Sales were conducted in the normal course of business on the same terms as those charged to and contracted with other third party customers.

On 21 August 2005, the Company and Shandong Neptunus Yinhe Pharmaceutical Company Limited ("Shandong Neptunus") entered into a distributorship agreement (the "Distributorship Agreement") pursuant to which Shandong Neptunus was appointed as the non-exclusive distributor of the products in Shandong Province of the PRC commencing from 21 August 2005. The Distributorship Agreement will expire on 31 December 2007. The Company's sales to Shandong Neptunus under the Distributorship Agreement will not exceed RMB8,500,000, RMB9,000,000 and RMB9,500,000 for the three years ended 31 December 2005, 31 December 2006 and 31 December 2007 respectively.

(x) The recharge of telephone system costs was based on actual costs incurred.

(xi) The rental of office and factory premises was charged at pre-agreed rates with reference to market prices.

On 21 August 2005, the Company and Shenzhen Neptunus Tongai Pharmaceutical Company Limited ("Tongai Pharmaceutical") entered into another lease contract, pursuant to which Tongai Pharmaceutical agreed to lease a property to the Company for factory and manufacturing uses. The rental of RMB67,000 attributable to the current year was waived by Tongai Pharmaceutical subject to a waiver agreement dated 13 February 2006, as the renovation work on the property has not been completed up to 31 December 2005.

Notes to the Financial Statements (cont'd)

for the year ended 31 December 2005

28. RELATED PARTY TRANSACTIONS *(cont'd)*

Notes: (cont'd)

(xii) The Company advanced three loans to Neptunus Bio-engineering in three different periods during the year ended 31 December 2004, the details of which are as follows:

Period	**Interest rate**	**Amount** RMB'000
8 March 2004 to 31 May 2004	0.72%	10,000
8 March 2004 to 8 September 2004	0.72% plus bank loan interest rate published by the People's Bank of China	20,000
25 October 2004 to 19 November 2004	0.72% plus bank loan interest rate published by the People's Bank of China	20,000
		50,000

(xiii) On 1 July 2004, the Company entered into an agreement to dispose its 90% equity interest in Hangzhou Neptunus Interlong Bio-technique Company Limited to Shandong Neptunus at original investment cost.

(xiv) During the year ended 31 December 2005, Neptunus Bio-engineering provided corporate guarantee to the extent of RMB80,000,000 of banking facilities granted to the Company (note 21).

(xv) Compensation of key management personnel of the Company:

Details of directors' remuneration are set out in note 8 to the financial statements.

In the opinion of the Directors, except for transactions (i) and (xii), all of the above related party transactions were carried out on normal commercial terms in the ordinary course of business.

The related party transactions in respect of items (i), (iii), (iv), (v), (vi), (vii), (viii), (ix), (x), (xi), (xiv) and (xv) also constitute connected transactions or continuing connected transactions as defined in Chapter 20 of the GEM Listing Rules.

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's principal financial instruments, other than derivatives, comprise cash and cash equivalents and bank loans. The main purpose of these financial instruments is to raise finance for the Company's operations. The Company has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Company's financial instruments are business risk, foreign currency risk, credit risk and liquidity risk. The Company does not have any written risk management policies and guidelines. However, the board of directors meets periodically to analyse and formulate measures to manage the Company's exposure to these risks. Generally, the Company introduces conservative strategies on its risk management. As the Company's exposure to these risks is kept to a minimum, the Company has not used any derivatives and other instruments for hedging purposes. The Company does not hold or issue derivative financial instruments for trading purposes. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below:

Business risk

The Company conducts its operations in Mainland China and accordingly, it is subject to certain considerations and significant risks. These include risks associated with, inter alia, the political, economic and legal environments.

Notes to the Financial Statements (cont'd)

for the year ended 31 December 2005

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(cont'd)*

Foreign currency risk

The Company operates in Mainland China and its principal activities are conducted in RMB. Therefore, the Company's exposure to market risk for changes in foreign currency exchange rate is not significant.

Credit risk

The Company trades only with recognised and creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis.

Since the Company trades only with recognised and creditworthy third parties, there is no requirement for collateral.

The credit risk of the Company's other financial assets, which comprise cash and cash equivalents and other receivables, arises from the default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments as indicated on the balance sheet.

Liquidity risk

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans.

30. COMPARATIVE AMOUNTS

As further explained in note 2.1 to the financial statements, due to the adoption of new and revised HKFRSs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements.

31. POST BALANCE SHEET EVENT

On 5 February 2006, the Company obtained the approval of the Ministry of Commerce of the PRC to establish a subsidiary in Hong Kong, which is conditional upon the passing of a resolution by the board of directors to approve the establishment.

32. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 29 March 2006.

Three Year Financial Summary

A summary of the results and of the assets and liabilities of the Company for the last three financial years, as extracted from the published audited financial statements and the Company's Listing Document, is set out below.

	Year ended 31 December		
	2005	2004	2003
	RMB'000	RMB'000	RMB'000
RESULTS			
REVENUE	**49,383**	48,248	54,187
Cost of sales	**(7,708)**	(7,959)	(9,487)
Gross profit	**41,675**	40,289	44,700
Other revenue	**702**	2,240	326
Selling and distribution costs	**(27,749)**	(23,704)	(24,947)
Administrative expenses	**(5,730)**	(3,178)	(3,787)
Other operating expenses	**(6,788)**	(4,338)	(5,098)
PROFIT FROM OPERATING ACTIVITIES	**2,110**	11,309	11,194
Finance costs	**(1,168)**	(1,088)	(27)
PROFIT BEFORE TAX	**942**	10,221	11,167
Tax	**(1,102)**	(1,643)	(1,725)
NET PROFIT/(LOSS) ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	**(160)**	8,578	9,442
ASSETS AND LIABILITIES			
TOTAL ASSETS	**228,530**	114,403	106,280
TOTAL LIABILITIES	**(79,939)**	(31,242)	(31,697)
	148,591	83,161	74,583