



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



2006

Interim Report

*For identification purpose only

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The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from, or in reliance upon, the whole or any part of the contents of this report.

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 report is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this report misleading; and (iii) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

Financial Highlights (Unaudited)

- For the six months ended 30 June 2006 (the "Relevant Period"), the turnover of the Company was approximately RMB12,129,000, representing a decrease of approximately 48.36% from that of the same period last year.
- During the Relevant Period, the loss attributable to equity holders of the Company was approximately RMB14,469,000 as compared to the loss attributable to equity holders of approximately RMB958,000 in the same period last year.
- During the Relevant Period, the loss per share of the Company was approximately RMB1.53 cents.
- The Directors do not recommend the payment of any dividend for the Relevant Period.

INTERIM RESULTS (UNAUDITED)

The condensed interim financial statements have not been audited, but have been reviewed by the Company's Audit Committee.

CONDENSED INCOME STATEMENT

For the three months and six months ended 30 June 2006

	Notes	For the three months ended 30 June		For the six months ended 30 June	
		2006	2005	2006	2005
		(Unaudited) RMB'000	RMB'000	(Unaudited) RMB'000	RMB'000
REVENUE	5	4,746	12,797	12,129	23,486
Cost of sales		(768)	(2,700)	(2,132)	(4,085)
Gross profit		3,978	10,097	9,997	19,401
Other income and gain	5	491	83	675	207
Selling and distribution costs		(3,599)	(8,036)	(8,783)	(15,337)
Administrative expenses		(2,242)	(891)	(4,869)	(2,007)
Other operating expenses		(9,273)	(356)	(10,005)	(2,296)
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	6	(10,645)	897	(12,985)	(32)
Finance costs	7	(1,377)	(261)	(1,920)	(527)
PROFIT/(LOSS) BEFORE TAX		(12,022)	636	(14,905)	(559)
Tax	8	392	(208)	436	(399)
NET PROFIT/(LOSS) FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		(11,630)	428	(14,469)	(958)
EARNINGS/(LOSS) PER SHARE (RMB cents)					
Basic	10	(1.23)	0.06	(1.53)	(0.13)

CONDENSED BALANCE SHEET

As at 30 June 2006

	Notes	30 June 2006 (Unaudited) RMB'000	31 December 2005 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	11	150,020	87,162
Prepaid land lease payments		8,705	8,796
Intangible assets		9,588	9,931
Prepayments for purchase of technical know-how		17,643	17,643
Deferred tax assets		345	254
		186,301	123,786
CURRENT ASSETS			
Inventories		4,834	3,515
Trade receivables	12	9,272	21,399
Notes receivable		512	—
Prepayments, deposits and other receivables		4,315	4,142
Due from related parties		1,333	3,739
Pledged deposits		30,357	8,345
Cash and cash equivalents		70,060	63,604
		120,683	104,744
CURRENT LIABILITIES			
Trade payables	13	1,243	543
Other payables and accruals		4,198	6,055
Interest-bearing bank loans	14	20,000	55,000
Due to related parties		11,527	11,016
Tax payable		2,013	3,024
		38,981	75,638
NET CURRENT ASSETS		81,702	29,106
TOTAL ASSETS LESS CURRENT LIABILITIES		268,003	152,892
NON-CURRENT LIABILITIES			
Interest-bearing bank loans	14	130,000	—
Deferred revenue		3,881	4,301
Total non-current liabilities		133,881	4,301
Net assets		134,122	148,591
EQUITY			
Issued capital		94,667	94,667
Reserves		39,455	53,924
Total equity		134,122	148,591

CONDENSED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2006

	Issued share capital RMB'000	Share premium account RMB'000	Statutory surplus reserve fund RMB'000	Statutory public welfare fund RMB'000	Retained profits RMB'000	Subtotal of reserves RMB'000	Total RMB'000
At 1 January 2006	94,667	41,923	2,220	1,110	8,671	53,924	148,591
Net loss for the period	—	—	—	—	(14,469)	(14,469)	(14,469)
At 30 June 2006	94,667	41,923	2,220	1,110	(5,798)	39,455	134,122
At 1 January 2005	71,000	—	1,940	970	9,251	12,161	83,161
Net loss for the period	—	—	—	—	(958)	(958)	(958)
At 30 June 2005	71,000	—	1,940	970	8,293	11,203	82,203

CONDENSED CASH FLOW STATEMENT

For the six months ended 30 June 2006

	For the six months ended 30 June	
	2006 (Unaudited) RMB'000	2005 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES	(2,310)	3,309
CASH FLOWS FROM INVESTING ACTIVITIES	(86,234)	(23,024)
CASH FLOWS FROM FINANCING ACTIVITIES	95,000	(3,948)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	6,456	(23,663)
Cash and cash equivalents at beginning of period	63,604	32,605
CASH AND CASH EQUIVALENTS AT END OF PERIOD	70,060	8,942
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	70,060	8,942

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Shenzhen Neptunus Interlong Bio-technique Company Limited (the "Company") is a limited liability company established 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 Relevant Period, 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.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The interim condensed financial statements for the Relevant Period have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 Interim Financial Reporting. The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements as at 31 December 2005.

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2005, except for the adoption of new HKFRSs and HKASs as disclosed in note 3 below.

3.1 IMPACT OF NEW AND REVISED HKFRSs AND HKASs

The HKICPA has issued a number of new and revised HKFRSs and HKASs, which are generally effective for accounting periods beginning on or after 1 January 2006. The Company has adopted the following HKFRSs and HKASs issued up to 30 June 2006 which are pertinent to its operations and relevant to these interim financial statements:

HKAS 39 Amendment	The Fair Value Option
HKAS 39 & HKFRS 4 Amendments	Financial Guarantee Contracts
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease

The adoption of the above-mentioned accounting standards does not have a significant impact on the Company's results of operations or financial position.

3.2 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HKFRSs AND HKASs

The Company has not applied the following new and revised HKFRSs and HKASs, which have been issued but are not yet effective, in these interim financial statements:

HKAS 1 Amendment	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures

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 expects that the adoption of the above pronouncements will not have significant impact on the Company's financial statements in the period of initial application.

4. SEGMENT INFORMATION

The Company conducts its business within one business segment – the business of manufacturing and selling medicine products. The Company's revenue is primarily generated from Mainland China. Accordingly, no further business or geographical segment information is disclosed.

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 the revenue, other income and gain is as follows:

	For the three months ended 30 June		For the six months ended 30 June	
	2006 (Unaudited) RMB'000	2005 RMB'000	2006 (Unaudited) RMB'000	2005 RMB'000
Revenue				
Sale of medicines	4,746	12,797	12,129	23,486
Other income and gain				
Bank interest income	94	58	222	142
Subsidy income	397	25	434	50
Gain on disposal of items of property, plant and equipment	—	—	—	15
Others	—	—	19	—
	491	83	675	207

6. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

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

	For the three months ended 30 June		For the six months ended 30 June	
	2006 (Unaudited) RMB'000	2005 RMB'000	2006 (Unaudited) RMB'000	2005 RMB'000
Cost of inventories sold	450	2,434	1,504	3,554
Recognition of prepaid land lease payments*	45	—	90	—
Depreciation	619	807	1,413	1,247
Amortisation of intangible assets*	273	266	538	531
Research and development costs**	1,335	591	2,055	2,191
Minimum lease payments under operating leases in respect of land and buildings	207	244	452	489
Auditors' remuneration	182	—	182	—
Staff costs, including directors' remuneration:				
Salaries and wages	3,373	2,710	6,943	5,853
Pension scheme contributions	147	200	290	242
Provision/(reversal) for doubtful debts**	7,938	(235)	7,938	105
(Gain)/loss on disposal of items of property, plant and equipment	12	—	12	(15)

* 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.

7. FINANCE COSTS

	For the three months ended 30 June		For the six months ended 30 June	
	2006 (Unaudited) RMB'000	2005 RMB'000	2006 (Unaudited) RMB'000	2005 RMB'000
Interest on bank loan wholly repayable within five years	878	261	1,421	527
Interest on other loan	499	—	499	—
	1,377	261	1,920	527

8. 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.

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 periods ended 30 June 2006 and 30 June 2005.

	For the three months ended 30 June		For the six months ended 30 June	
	2006 (Unaudited) RMB'000	2005 RMB'000	2006 (Unaudited) RMB'000	2005 RMB'000
Current period provision - PRC income tax	(345)	157	(345)	411
Deferred	(47)	51	(91)	(12)
Tax charge for the period	(392)	208	(436)	399

9. DIVIDENDS

No dividends were paid or declared by the Directors for the Relevant Period (2005: Nil).

10. LOSS PER SHARE

The calculation of basic loss per share for the three months and six months periods ended 30 June 2006 is based on the net loss attributable to shareholders of approximately RMB11,630,000 and RMB14,469,000 (2005: net profit RMB428,000 and net loss RMB958,000) and the number of 946,670,000 ordinary shares in issue for the three months and six months ended 30 June 2006 (2005: 710,000,000 ordinary shares).

Diluted earnings per share for the three months and six months periods ended 30 June 2006 and 2005 have not been calculated because there were no potential dilutive ordinary shares existed during these periods.

11. PROPERTY, PLANT AND EQUIPMENT

During the Relevant Period, the Company acquired property, plant and equipment amounting to approximately RMB64,282,000 (2005: RMB65,408,000).

12. TRADE RECEIVABLES

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

	30 June 2006 (Unaudited) RMB'000	31 December 2005 (Audited) RMB'000
Within 3 months	1,262	9,733
4 to 6 months	1,682	7,801
7 to 12 months	12,656	4,378
Over 1 year	10,370	8,361
	25,970	30,273
Provision for doubtful debts	(16,698)	(8,874)
	9,272	21,399

13. TRADE PAYABLES

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

	30 June 2006 (Unaudited) RMB'000	31 December 2005 (Audited) RMB'000
Within 3 months	814	215
4 to 6 months	—	71
7 to 12 months	192	159
Over 1 year	237	98
	1,243	543

14. INTEREST-BEARING BANK LOANS

	Effective interest rate (%)	Maturity	30 June 2006 (Unaudited) RMB'000	31 December 2005 (Audited) RMB'000
Current:				
Bank loan - unsecured	6.138	2006	20,000	20,000
Bank loan - secured	5.58	2006	—	35,000
			20,000	55,000
Non-current:				
Bank loan - secured	6.39	2007-2014	130,000	—
			130,000	—
			150,000	55,000
Bank loans repayable:				
Within one year			20,000	55,000
In the second year			6,000	—
In the third to fifth years, inclusive			50,000	—
Beyond five years			74,000	—
			150,000	55,000

Notes:

- (a) All of the Company's bank loans up to RMB150,000,000 (2005: RMB55,000,000) were guaranteed by Shenzhen Neptunus Bio-engineering Company Limited ("Neptunus Bio-engineering"), the Company's controlling shareholder (note 16 (xi)).
- (b) Certain of the Company's bank loan of RMB130,000,000 was secured by:
- (i) mortgages over the Company's prepaid land lease payments situated in Mainland China, which had an aggregate carrying value at the balance sheet date of approximately RMB8,886,000 (2005: RMB8,977,000);
 - (ii) mortgages over the Company's construction in progress, which had an aggregate carrying value at the balance sheet date of approximately RMB111,501,000 (2005: RMB52,420,000);
 - (iii) the pledge of the domestic shares 639,000,000 in the Company held by Neptunus Bio-engineering (note 16 (xii));
 - (iv) the pledge of the domestic shares 47,671,000 in the Company held by Mr. Chai Xiang Dong, the Company's management shareholder (note 16 (xii)); and
 - (v) the pledge of the right to revenue derived from subunit vaccine of influenza virus.

15. COMMITMENTS

The Company had the following capital commitments at the balance sheet date:

	30 June 2006 (Unaudited) RMB'000	31 December 2005 (Audited) RMB'000
Contracted, but not provided for:		
Technical know-how, net of deposits	17,120	17,507
Property, plant and equipment	36,088	50,966
Land lease payments, net of deposits	5,500	5,500
	58,708	73,973
Authorised, but not contracted for:		
Property, plant and equipment	38,191	51,150
	38,191	51,150
	96,899	125,123

16. RELATED PARTY TRANSACTIONS

The Company had the following significant transactions with its related parties during the Relevant Period:

Name of related parties	Nature of transactions	Notes	For the six months ended 30 June	
			2006 (Unaudited) RMB'000	2005 RMB'000
Shenzhen Neptunus Pharmaceutical Company Limited	Rental of factory premises	(i) (ii)	60	60
	Recharge on the use of plant and machinery	(i) (iii)	168	286
	Recharge of direct labour costs	(i) (iv)	104	182
	Recharge of water, electricity and fuel costs	(i) (v)	159	283
	Management fees	(i) (vi)	7	12
	Property management fees	(i) (vii)	14	23
	Shenzhen Nepstar Pharmaceutical Company Limited	Sale of interferon	(i) (viii)	86
Shandong Neptunus Yinhe Pharmaceutical Company Limited	Sale of interferon and interleukin	(i) (viii)	7,078	793
Shenzhen Neptunus Group Company Limited*	Recharge of telephone system costs	(ix)	6	8
Shenzhen Neptunus Tongai Pharmaceutical Company Limited	Rental of office premises	(i) (x)	66	99

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

Notes:

- (i) The ultimate holding company of these related parties is also the ultimate holding company of the Company. The director of the Company, Mr. Zhang Si Min, is also the director of these related parties, save for Shandong Neptunus Yinhe Pharmaceutical Company Limited.
- (ii) The rental of factory premises was charged at pre-agreed rates with reference to market prices.
- (iii) The recharge on the use of plant and machinery was based on pre-agreed rates with reference to the years of durability of the plant and machinery and the estimated utilisation rates of the Company on those assets.
- (iv) 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.
- (v) The recharge of water, electricity and fuel costs was based on pre-agreed rates with reference to the Company's production activities.
- (vi) The management fees were charged at pre-agreed rates.
- (vii) The property management fees were charged at pre-agreed rates.
- (viii) The Company sold interferon and interleukin to these related parties during the Relevant Period. Sales were conducted in the normal course of business on the same terms and conditions as contracts entered into with other third party customers.
- (ix) The recharge of telephone system costs was based on actual costs incurred.
- (x) The rental of office premises was charged at pre-agreed rates with reference to market prices.
- (xi) During the Relevant Period, Neptunus Bio-engineering guaranteed the Company's bank loans up to RMB150,000,000 (2005: RMB55,000,000) (note 14).
- (xii) During the Relevant Period, Neptunus Bio-engineering pledged its domestic shares 639,000,000 in the Company and Mr. Chai Xiang Dong, the management shareholder of the Company, pledged his domestic shares 47,671,000 in the Company to secure the Company's bank loan of RMB130,000,000 (2005: Nil) (note 14).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the Relevant Period, 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 Relevant Period, the Company was primarily engaged in the production and sale of two drugs, namely rhIFN α 2b for injection and rhIL-2(125Ser) for injection. The two abovementioned products were mainly sold in the PRC with small quantities exported to the Southeast Asian markets during the Relevant Period.

International Business

As at 30 June 2006, the Company successfully completed the medicine registration of rhIFN α 2b for injection in Indonesia and had distributed the products to Burma, Sri Lanka and Cambodia through its distributors in Indonesia. The business of the Company in Pakistan continued to grow with a leading market share. In addition, the Company has submitted information for medicine registration to the relevant authorities in Mexico and Korea and to the relevant authorities in Malaysia, Singapore, Philippines, Vietnam and Thailand through its distributors in Indonesia.

Influenza Vaccine Business

The Company's new product, subunit vaccine of influenza virus, obtained the approval for production issued by the State Food and Drug Administration of the PRC ("SFDA") on 25 May 2006. The Company has applied for the GMP Certificate from SFDA in respect of the renovated workshop with an area of approximately 3,722 square metres for the product in Neptunus Industrial Complex. The product accepted the on site assessments and evaluations conducted by the SFDA in July 2006 which was announced publicly and is expected to be granted the GMP Certificate in August. The Company can sell the product at once after obtaining the GMP Certificate.

Research and Development

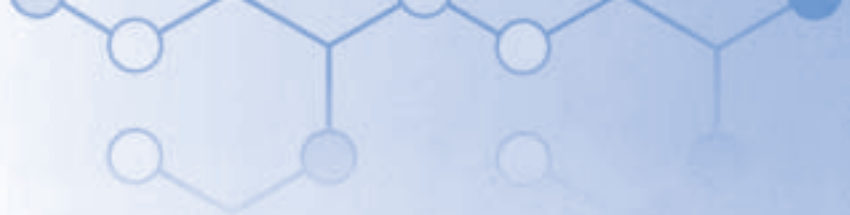
The development of new products is progressing smoothly. The clinical trial of rhIFN α 2b effervescent tablet has been completed and the applications for new medicine certificate and approval for production were submitted to SFDA and is currently in the process of technical examination. The clinical trial of rabies vaccine in vero cell has also been completed. The applications for new medicine certificate was submitted to SFDA. The rhIFN α 2b liposome cream has completed the clinical trial. Statistics of the results of the clinical trial are being compiled. Upon completion of the computation of the statistics, the Company will submit applications within the year for new medicine certificate to SFDA. rhIFN α 2b buccal tablet is currently undergoing the clinical trial.

Use of Proceeds

The net proceeds from the successful listing of the Company on the GEM through the issuance of new shares by way of placing on 12 September 2005 (the "Listing Date"), after deduction of the related expenses, amounted to approximately RMB65,590,000. For the six months ended 30 June 2006, the net proceeds from the listing of the Company were used in the following circumstances:-

	From the Listing Date to 30 June 2006 Planned use of proceeds (in Million HK\$)	From the Listing Date to 30 June 2006 Actual use of proceeds (in Million HK\$)
Construction of production base and the enhancement of production facilities	75	55

Unutilised proceeds amounting to approximately RMB20,000,000 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 issued by the Company on 29 August 2005 (the "Prospectus").



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 the Relevant Period:

	The anticipated business development as at 30 June 2006	The actual business development as at 30 June 2006
Construction of new production base and expansion of production facilities		
Subunit vaccine of influenza virus (leased properties)	Sale of product in market	The GMP Certificate for production facilities completed is expected to be obtained in August. The Company can sell the product at once after obtaining the GMP Certificate.
Subunit vaccine of influenza virus (Baoan GMP Factory)	Complete construction of the Baoan GMP Factory and apply for the GMP approval	The civil construction portion of the Baoan GMP Factory has been completed. Installation and testing of the facilities are in progress.
rhIFN α 2b liposome cream	Complete construction and obtain the GMP Certificate	The construction of the production facilities is planned to be completed in the Baoan GMP Factory at the end of the year
rhIFN α 2b vaginal effervescent tablet	Complete construction and obtain the GMP Certificate	The construction of the production facilities in the leased properties has been completed. The application for the GMP Certificate is expected to be submitted in the second half of the year.

	The anticipated business development as at 30 June 2006	The actual business development as at 30 June 2006
R & D of new products		
Subunit vaccine of influenza virus	Sale of product in market	The approval for production has been obtained. The product is expected to be launched in the market in the second half of the year.
Rabies vaccine in vero cell	Apply for new medicine certificate	Information for applying for the new medicine certificate has been submitted.
rhIFN α 2b buccal tablet	Carry out clinical research	The clinical research is in progress.
rhIFN α 2b liposome cream	Apply for the new medicine certificate Obtain the approval for production	The clinical research has been completed and the clinical statistics is being prepared. Information for applying for the new medicine certificate is expected to be submitted in the second half of the year.
rhIFN α 2b vaginal effervescent tablet	Obtain the approval for production Launch the product in the market	The application for the new medicine certificate has been submitted and is currently under technical examination. The new medicine certificate and the approval for production are expected to be obtained in the second half of the year.
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	The anticipated business development as at 30 June 2006	The actual business development as at 30 June 2006
Expansion Plan	Establish a sales team for vaccine products	The original team will act as the sales team for vaccine products. Formulation of the vaccine sales strategy is in progress.
	Anticipate to complete medicine registration in Indonesia	The registration of rhIFN α 2b products for injection in Indonesia has been successfully completed. Products are distributed to Burma and Cambodia through the distributor in Indonesia.

FINANCIAL REVIEW

Turnover of the Company for the Relevant Period amounted to approximately RMB12,129,000, representing a significant decrease of 48.36% over the RMB23,486,000 recorded for the corresponding period last year. The turnover of the Company's main product, rhIFN α 2b for injection, accounted for approximately 84.77% of the total turnover of the Company for the Relevant Period. During the Relevant Period, because of the adverse impact of a decline in the overall domestic medicine market as compared with the same period last year, the turnover of the Company's products experienced a sharp decline over the same period last year. The situation did not improve within a short period of time although the Company strengthened its marketing efforts and took various measures to strengthen the efforts in demanding repayment of trade receivables.

During the Relevant Period, the gross profit and the gross margin of the Company were approximately RMB9,997,000 and 82.42% respectively, representing a respective decrease of approximately RMB9,404,000 and 0.18% from the corresponding period last year. The decrease in the gross profit was a result of the reduction in sales volume. The overall gross profit margin of the Company remained at a steady level.

Selling and distribution expenses of the Company amounted to approximately RMB8,783,000 during the Relevant Period, representing a drastic decrease of approximately RMB6,554,000, representing a decrease of approximately 42.73% compared to that in the corresponding period last year. Such circumstances were mainly attributable to the Company's decreased turnover during the Relevant Period. The expenses for marketing and promotion based on a certain proportion of the turnover also dropped correspondingly. However, the Company had also adopted various approaches to strengthen the marketing of its products. Besides, the administrative expenses for maintaining each office were fixed expenses which could not possibly be lowered accordingly to reflect the decrease in the turnover. Therefore, although total sales and distribution expenses saw a significant decline over the same period last year, their share as a percentage of the turnover of the Company increased approximately 7.11%.

The administrative expenses of the Company amounted to approximately RMB4,869,000 during the Relevant Period, representing a substantial increase of approximately RMB2,862,000, which is approximately an increase of 142.60% compared to approximately RMB2,007,000 of the same period last year. Such increase was mainly due to the increase in salary expenses as a result of the increase in the number of staff, the payment of administrative fees for listing, the payment of auditor's remuneration and other management costs.

The other operating expenses of the Company amounted to approximately RMB10,005,000 during the Relevant Period, representing an increase of RMB7,709,000 or approximately 340% over the same period last year. Such increase was mainly attributable to an increase of RMB7,833,000 in the provision for doubtful debts.

The Company's loss before tax for the Relevant Period increased to approximately RMB14,905,000, from approximately RMB559,000 recorded in the corresponding period last year. Such increase was mainly attributable to a decline in the turnover, increased in the percentage of sales and distribution expenses and the increase in administrative expenses and other expenses including provision for doubtful debts by various extents.

As such, the net loss attributable to the equity holders of the Company amounted to approximately RMB14,469,000 for the year, as compared to the net loss attributable to the equity holders of approximately RMB958,000 for the corresponding period of the previous year.

LIQUIDITY AND FINANCIAL RESOURCES

Borrowings and banking facilities

As at 30 June 2006, the Company's bank and cash balance was approximately RMB70,060,000, while it was approximately RMB63,604,000 as at 31 December 2005. As of 30 June 2006, the Company's bank facilities debt was approximately RMB150,000,000 (the "Bank Loans"), of which short-term bank borrowing were approximately RMB20,000,000 ("Short-term bank borrowings") and long-term bank borrowings were RMB130,000,000. The controlling shareholder's loan was approximately RMB9,000,000 (the "Shareholder's Loan").

Short-term bank borrowing was obtained by the Company from the Shenzhen Branch of the Construction Bank of China (the "Construction Bank") as a short-term liquid capital. The borrowing was for a term of one year with interests calculated on the basis of a fixed rate. The borrowing was due on 3 July 2006. On 11 Aug 2006, the Company used (1) the RMB10 million shareholder's loan granted by Neptunus Bio-engineering on the same date; and (2) RMB10 million from the Company's reserved fund to repay the borrowing from the Construction Bank.

On 23 May 2006, the Company entered into a long-term loan agreement (the "Loan Agreement") in the amount of RMB130,000,000 (the "Company's Loan") with China Development Bank (the "CDB") in relation to the financing for the Company's project on subunit vaccine of influenza virus. Pursuant to the Loan Agreement, the Company had repaid the short-term borrowings of RMB60,000,000 which would otherwise fall due on 29 December 2006 to the CDB on 24 May 2006. In addition, pursuant to the Loan Agreement, the CDB requires the Company, the Company's controlling shareholder Neptunus Bio-engineering, and Mr. Chai Xiang Dong, the management shareholder of the Company, to provide guarantee and securities (including without limitation the pledge of the domestic shares of the Company currently held by them to the CDB) to secure the Company's loan. The Company would apply the revenue obtained from the loan project to repay the Company's Loan with the CDB by instalments.

Pledge of Shares by controlling shareholder

On 23 May 2006, Neptunus Bio-engineering, the controlling shareholder of the Company, entered into an Agreement on Pledge of Shares with the CDB pursuant to which Neptunus Bio-engineering pledged 639,000,000 domestic shares in the Company currently held by the Company (representing approximately 67.5% of the Company's issued share capital) to the CDB as security for the Company's Loan. Pursuant to the Agreement on Pledge of Shares, if the Company fails to repay the Company's Loan in accordance with the terms of the Loan Agreement, the CDB would be entitled to sell the abovementioned pledged shares and to apply such proceeds to set-off the Company's Loan. The Company received a notice from Neptunus Bio-engineering regarding the abovementioned pledge and hence had made an announcement on 24 May 2006 in respect of the pledge of shares by the controlling shareholder pursuant to Rule 17.19 of the GEM Listing Rules.

The aforesaid Agreement on Pledge of Shares does not require Neptunus Bio-engineering to pledge any new shares in Company acquired by it to the CDB during the term of the pledge.

Pledge of Shares by management shareholder

On 23 May 2006, Mr. Chai Xiang Dong, the management shareholder of the Company, entered into an Agreement on Pledge of Shares with the CDB pursuant to which Mr. Chai Xiang Dong pledged 47,671,000 domestic shares in the Company currently held by him (representing approximately 5.04% of the Company's issued share capital) to the CDB as security for the Company's Loan. Pursuant to the Agreement on Pledge of Shares, if the Company fails to repay the Company's Loan in accordance with the terms of the Loan Agreement, the CDB would be entitled to sell the abovementioned pledged shares and to apply such proceeds to set-off the Company's Loan. The Company received a notice from Mr. Chai Xiang Dong regarding the aforesaid pledge and hence had made an announcement on 24 May 2006 in respect of the pledge of shares by the management shareholder pursuant to Rule 17.43 of the GEM Listing Rules.

In addition, pursuant to the aforesaid Agreement on Pledge of Shares, if Mr. Chai Xiang Dong acquires new shares pursuant to the bonus or rights issues of shares by the Company to its shareholders during the term of the pledge, the new shares will automatically become the pledged property under the aforesaid Agreement on Pledge of Shares and Mr. Chai Xiang Dong shall within 10 days complete all the procedures required to perfect the pledge of the new shares. The Company will, if necessary, make an announcement in respect of the aforesaid pledge of new shares in the Company by Mr. Chai Xiang Dong pursuant to Rule 17.43 of the GEM Listing Rules.

Although the Agreement on Pledge of Shares executed by Mr. Chai Xiang Dong for the purpose of securing the Company's Loan amounts to a provision of financial assistance to the Company, the Company has not provided any security over its assets to Mr. Chai Xiang Dong in respect of this financial assistance and this financial assistance is on normal commercial terms (or better to the Company). The above connection transaction therefore falls within the exempt connected transactions under Rule 20.65(4) of the GEM Listing Rules.

Specific performance obligations by the controlling shareholder

The Loan Agreement imposes specific performance obligations on the Company and Neptunus Bio-engineering as conditions precedent to the drawdown of monies by the Company under the Company's Loan. The Loan Agreement requires Neptunus Bio-engineering to enter into an Agreement on Pledge of Shares with the CDB and to act as a guarantor with joint liabilities together with the Company for the Company's Loan and to execute a Guarantee Agreement in favour of the CDB. Neptunus Bio-engineering has entered into the Agreement on Pledge of Shares and the Guarantee Agreement with the CDB on 23 May 2006. The Loan Agreement further requires that such Guarantee Agreement and Agreement on Pledge of Shares shall remain valid during the Loan Term, that Neptunus Bio-engineering is not in breach of any provision of the Loan Agreement and that there would not be any circumstances in relation to the financial standing of Neptunus Bio-engineering and the pledged property which would prejudice the interests of the CDB. In addition, if Neptunus Bio-engineering's ability to provide security is weakened or the value of the pledged property decreases, the Loan Agreement requires the Company to provide compensatory security within a time limit required by the CDB and valid security agreements should be entered into between the security providers (including without limitation the Company and Neptunus Bio-engineering) and the CDB. The Loan Agreement also requires Neptunus Bio-engineering and Mr. Chai Xiang Dong to provide the CDB with an undertaking in relation to the restrictions on the distribution of dividends by the Company. Neptunus Bio-engineering and Mr. Chai Xiang Dong have undertaken to strictly observe the conditions for distribution of dividends as provided in the Loan Agreement. They have undertaken to vote against the proposed resolution regarding the distribution of dividends in the shareholders' meeting of the Company in the event that such conditions as provided in the Loan Agreement have not been satisfied.

Although the Guarantee Agreement and the Agreement on Pledge of Shares executed by Neptunus Bio-engineering for the purpose of securing the Company's Loan amounted to a provision of financial assistance to the Company, the Company has not provided any security over its assets to Neptunus Bio-engineering in respect of this financial assistance and this financial assistance is on normal commercial terms (or better to the Company). The above connection transactions therefore fall within the exempt connected transactions under Rule 20.65(4) of the GEM Listing Rules.

The Shareholders' Loan is interest free and used as the land premium for the land used by the Company for the construction of a new production base in Baoan, Shenzhen. There is no fixed due date for the Shareholder's Loan and the controlling shareholders of the Company has undertaken to the Company that it would not demand 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 a report in respect of the decision of the independent non-executive Directors; (3) the Company has a positive cash flow and has retained earnings in the relevant financial year.

Gearing ratio

As at 30 June 2006, the gearing ratio of the Company was approximately 111.84% (as at 31 December 2005: 37.0%) and was calculated by a division of the total interest-bearing borrowings by equity.

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

Net current assets

As at 30 June 2006, the Company had a net current asset of approximately RMB81,702,000. The current assets comprised of cash and cash equivalents of approximately RMB70,060,000, trade receivables of approximately RMB9,272,000, amounts due from related companies of approximately RMB1,333,000, inventories of approximately RMB4,834,000, notes receivable of approximately RMB512,000, prepayments, deposits and other receivables of approximately RMB4,315,000 and pledged deposits of approximately RMB30,357,000. Current liabilities comprised of trade payables of approximately RMB1,243,000, short-term borrowings of approximately RMB20,000,000, amounts due to related companies of approximately RMB11,527,000, taxes payable of approximately RMB2,013,000 and other payables of approximately RMB4,198,000. Compared to the net current asset position of approximately RMB29,106,000 as at 31 December 2005, the total current assets has increased due to the availability of capital raised from listing and bank loans. At the same time, bank loans also increased and such increase exceeded the increase in fixed assets as a result of investment in new projects, resulting in an increase in net current assets.

Pledge of assets

Pursuant to the "Pledge Agreement" entered into between the Company and the CDB on 23 May 2005, the Company will pledge all its land use rights, buildings and facilities with the CDB in accordance with law and is proceeding with the relevant pledge procedures.

The Company has also entered into the "Agreement on Pledge of Project Income Rights and Account Regulation" and pledged all income rights under the loan project with the CDB, and has deposited all revenue derived from the Loan Project into the accounts maintained by the Company in the administering branch of the CDB and the clearing bank. The revenue will be subject to regulation by CDB and the clearing bank.

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 a new production base and to enhance its production facilities. As at 30 June 2006, the Company has capital commitments of approximately RMB96,899,000, of which approximately RMB36,088,000 are designated for the contract payments under the contracts of production base construction and equipment purchases. 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 15 to the financial statements.

Significant investment and asset purchase project

As stated in the section "Business Objectives" in the Prospectus, the Directors are confident about the prospects of the vaccine of influenza virus market. The Directors has decided to improve the standards and capacities of its production facilities for vaccine of influenza virus in order 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 investments as stated in the section "Construction of new production base and the enhancement of production facilities" in the Prospectus will increase to approximately RMB180,000,000. Apart from the use of the funds raised by the listing, the remaining amount would be mainly financed by bank facilities. As at 30 June 2006, the Company has entered into a loan agreement in the amount of RMB130,000,000 with CDB in respect of the above plans.

Contingent Liabilities

As at 30 June 2006, the Company has no significant contingent liabilities.

PROSPECTS

International market business operations

RhIFN α 2b for injection will continue to seek overseas drug registrations. The Company will strive to expand its channels for registration and sales through multiple channels such as overseas distributors or intermediaries. In relation to the rhIL(125Ser) for injection, the Company is also cooperating with overseas distributors progressively to commence drug registrations and the explorations of overseas markets. The Directors anticipate that the Company's exports will experience greater growth in 2006 as compared to that of last year.

Vaccine of influenza virus business

The focus of the Company in the second half of the year will be the launching of the vaccine of influenza virus products to the market for sales. With the good cooperational relationship between Neptunus Bio-engineering and the government, as well as an extensive distribution network, the Company will establish two kinds of sales channels with provincial and municipal disease control centres, hospitals in major cities and community clinics as the market focus.

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

Other development opportunities

The clinical trial of the Company's new product, rhIFN α 2b vaginal effervescent tablet has been completed during the Relevant Period 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 rhIFN α 2b vaginal effervescent tablet has been completed. Upon obtaining the new medicine certificate and approval for production, the Company will apply to SFDA for the GMP Certificate.

The Company will continue to invest in the research and development of new products so as to improve its existing product structure and to minimize operation risk.

Meanwhile, the Company is making extensive efforts in constructing long-term stable overseas market sales channels and to capitalize its relevant experiences to provide consultation services for other manufacturers in the PRC in order to maximize the return from the resources invested in the operations.

As at 30 June 2006, the Company intends to establish a wholly-owned subsidiary in Hong Kong. The establishment of the subsidiary will facilitate the Company's connection with the international market, thus creating more opportunities for the future developments of the Company.

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

As at 30 June, 2006, the interests and short positions of the Directors, supervisors and the chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong) (the "SFO") as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuers as referred to in Rules 5.46 of the GEM Listing Rules, were as follows:

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 ¹	Beneficial owner	Personal	47,671,000	6.71%	5.04%
Ms. Wang Yan ²	Beneficial owner	Personal	14,200,000	2.00%	1.50%
Mr. Yu Jun ³	Beneficial owner	Personal	1,014,000	0.14%	0.11%

Notes:

- 1 Executive Director and General Manager of the Company
- 2 Executive Director of the Company
- 3 Supervisor and employee of the Company

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	255,397	0.054%
Mr. Zhang Si Min (Note (b))	Beneficial owner	Personal	Ankeen Enterprises Limited	15	15%

Notes:

- (a) Mr. Zhang Si Min is interested in 0.054% of the entire share capital of Neptunus Bio-engineering, which is interested in approximately 67.5% of the issued share capital of the Company as at 30 June 2006.
- (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 41.90% of the entire share capital of Shenzhen Neptunus Group Company Limited ("Neptunus Group"), which in turn is beneficially interested in approximately 34.38% 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 30 June 2006.

Save as disclosed above, as at 30 June, 2006, none of the Directors, supervisors or chief executive of the Company nor their respective associates hold any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuers as referred to in Rules 5.46 of the GEM Listing Rules.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES

At no time during the Relevant Period was the Company, its holding company, or any of its fellow subsidiaries a party to any arrangements enabling 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 30 June 2006, so far as the Directors and supervisors are aware, any interests and/or short positions held by shareholders (not being a Director, a supervisor or a chief executive of the Company) in shares or underlying shares of the Company which were required to be entered in the register pursuant to Section 336 of the SFO were as follows:

Long positions in shares of the Company:

Name of shareholders	Capacity	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	639,000,000	90%	67.5%
Neptunus Group (Note (a))	Interest in controlled corporation	639,000,000	90%	67.5%
Ankeen Enterprises (Note (b))	Interest in controlled corporation	639,000,000	90%	67.5%
Ms. Wang Jin Song (Note (c))	Interest in controlled corporation	639,000,000	90%	67.5%
Ms. Li Li (Note (d))	Interest of spouse	47,671,000	6.71%	5.04%

Notes:

- 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 34.38% of the entire share capital of Neptunus Bio-engineering.
- 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 34.38% of the entire share capital of Neptunus Bio-engineering.
- 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 34.38% of the entire share capital of Neptunus Bio-engineering.
- 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 30 June 2006, the Directors and supervisors are not aware of any other persons (except the Directors, supervisors or chief executive of the Company) who hold any 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.

PURCHASE, REPURCHASE OR SALE OF LISTED SHARES OF THE COMPANY

The Company has not purchased, repurchased or sold any of the Company's listed shares during the Relevant Period.

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 for the Company as at 30 June 2006.

COMPETING INTERESTS

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

- (i) 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 the equity interest in any listed company or its subsidiaries), participate in or operate any business in whatever form or manufacture any products, the usage of which is same 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
- (ii) it will not, and will procure its associates not to, hold any interest, whether within or outside the PRC, in any company or organization (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, whenever Neptunus Bio-engineering or its associates enter into any negotiations, within or outside PRC, in relation to any new investment projects which may compete with the existing and future business of the Company, the Company is also entitled to the preferential rights of investments in such new investment projects.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the Relevant Period, 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.

AUDIT COMMITTEE

The Company had 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 report 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 the 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 of 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 unaudited condensed results for the Relevant Period.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICE

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 for the Relevant Period. The Board 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.

ON BEHALF OF THE BOARD
Shenzhen Neptunus Interlong Bio-technique Company Limited
Zhang Si Min
Chairman

Shenzhen, the PRC
12 August 2006

As at the date of this report, the executive Directors of the Company are Mr. Zhang Si Min, Mr. Chai Xiang Dong and Ms. Wang Yan; the non-executive Directors are Mr. Shao Chun Jie and Ms. Yu Lin; and the independent non-executive Directors are Mr. Yick Wing Fat, Simon, Mr. Poon Ka Yeung and Mr. Lu Sun.