



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

3rd Quarterly 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 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 nine months ended 30 September 2006 (the "Relevant Period"), the revenue of the Company was approximately RMB15,908,000, representing a decrease of approximately 55.7% from that of the same period last year.
- During the Relevant Period, the loss attributable to equity holders of the Company was approximately RMB19,698,000 as compared to the profit attributable to equity holders of approximately RMB916,000 in the same period last year.
- During the Relevant Period, the loss per share of the Company was approximately RMB2.08 cents.
- The Company's Board of Directors (the "Board") does not recommend the payment of any dividend for the Relevant Period.

QUARTERLY RESULTS (UNAUDITED)

The Board is pleased to present the unaudited results of the Company together with its subsidiary (collectively the "Group") for the nine months ended 30 September 2006.

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

For the three months and nine months ended 30 September 2006

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2006 (Unaudited) RMB'000	2005 RMB'000	2006 (Unaudited) RMB'000	2005 RMB'000
REVENUE	5	3,780	12,414	15,908	35,900
Cost of sales		(716)	(1,824)	(2,848)	(5,981)
Gross profit		3,064	10,590	13,060	29,919
Other income and gain	5	309	107	984	309
Selling and distribution costs		(2,756)	(6,018)	(11,539)	(21,022)
Administrative expenses		(4,541)	(979)	(9,410)	(3,261)
Other operating expenses		(1,059)	(1,340)	(11,063)	(3,775)
(LOSS)/PROFIT FROM OPERATING ACTIVITIES	6	(4,983)	2,360	(17,968)	2,170
Finance costs	7	(246)	(316)	(2,166)	(861)
(LOSS)/PROFIT BEFORE TAX		(5,229)	2,044	(20,134)	1,309
Tax	8	—	(56)	436	(393)
(LOSS)/PROFIT FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		(5,229)	1,988	(19,698)	916
(LOSS)/EARNINGS PER SHARE (RMB cents)					
Basic	10	(0.55)	0.28	(2.08)	0.13

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

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 Group 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 unaudited condensed consolidated financial statements has been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards and Interpretations ("HKASs")) issued by Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The policies adopted are consistent with those used in the preparation of the Company's audited financial statements for the year ended 31 December 2005.

They have been prepared under the historical convention. The financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

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 Group has adopted the following HKFRSs and HKASs issued up to 30 September 2006 which are pertinent to its operations and relevant to these 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 Group's results of operations or financial position.

3.2 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HKFRSs AND HKASs

The Group has not applied the following new and revised HKFRSs and HKASs, which have been issued but are not yet effective, in these consolidated 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 Group's objective, policies and processes for managing capital; quantitative data about what the Group 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 Group expects that the adoption of the above pronouncements will not have significant impact on the Group's financial statements in the period of initial application.

4. SEGMENT INFORMATION

The Group conducts its business within one business segment – the business of manufacturing and selling medicine products. The Group'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 Group's revenue, represents the net invoiced value of goods sold net of value-added tax 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 September		For the nine months ended 30 September	
	2006	2005	2006	2005
	(Unaudited) RMB'000	RMB'000	(Unaudited) RMB'000	RMB'000
Revenue				
Sale of medicines	3,780	12,414	15,908	35,900
Other income and gain				
Bank interest income	211	17	433	159
Subsidy income	98	90	532	150
Gain on disposal of items of property, plant and equipment	—	—	—	—
Others	—	—	19	—
	309	107	984	309

6. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

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

	For the three months ended 30 September		For the nine months ended 30 September	
	2006	2005	2006	2005
	(Unaudited) RMB'000	RMB'000	(Unaudited) RMB'000	RMB'000
Cost of inventories sold	397	1,824	1,901	5,981
Recognition of prepaid land lease payments*	46	—	136	—
Depreciation	691	616	1,998	1,764
Amortisation of intangible assets*	273	265	811	796
Research and development costs**	544	1,133	2,599	3,333
Minimum lease payments under operating leases in respect of land and buildings	—	245	659	734
Provision for doubtful debts**	1,457	206	9,395	311
Loss on disposal of items of property, plant and equipment	2	—	14	131

* 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 September		For the nine months ended 30 September	
	2006	2005	2006	2005
	(Unaudited) RMB'000	RMB'000	(Unaudited) RMB'000	RMB'000
Interest on bank loan wholly repayable within five years	740	316	1,618	861
Interest on other loan	49	—	548	—
	789	316	2,166	861

8. TAX

The Company is located at 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 September 2006 and 2005.

	For the nine months ended 30 September	
	2006	2005
	(Unaudited) RMB'000	RMB'000
Current period provision - PRC income tax	—	98
Deferred	(436)	295
Tax charge for the period	(436)	393

9. DIVIDENDS

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

10. (LOSS)/EARNINGS PER SHARE

The calculation of basic loss per share for the three months and nine months periods ended 30 September 2006 is based on the unaudited net loss attributable to the equity holders of the Company of approximately RMB5,229,000 and RMB19,698,000 (2005: net profit of RMB1,988,000 and RMB916,000 respectively) and the number of 946,670,000 ordinary shares in issue for the three months and nine months ended 30 September 2006 (2005: 722,320,000 ordinary shares).

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the Relevant Period, the Group 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 Group was primarily engaged in the production and sale of two drugs, namely rhIFN α 2b for injection and rhIL-2(125Ser) for injection. These two products were mainly sold in the PRC with small quantities exported to the Southeast Asian markets during the Relevant Period. The mass production of the subunit vaccine product of influenza virus has commenced but the product has not been available for sale.

International Business

As at 30 September 2006, the major countries for the export of the Group's products were still Indonesia and Pakistan. Distributors in Indonesia also distributed the products to Burma, Sri Lanka and Cambodia. In addition, the information for medicine registration submitted by the Group to the relevant authorities in Mexico, Korea, Malaysia, Singapore, the Philippines, Vietnam and Thailand through its distributors in Indonesia has been accepted and is being processed.

Influenza Vaccine Business

The renovated workshop with an area of approximately 3,722 square metres for the Group's new product, subunit vaccine of influenza virus, was granted the GMP Certificate by the State Food and Drug Administration of the PRC ("SFDA") in August 2006. The Group is organizing mass production of the product which is expected to be launched to the market for sale by the end of the year.

The Group's influenza vaccine production base in Baoan, Shenzhen is still under construction. The construction work has been basically completed and installation and testing of the production facilities are in progress.

Research and Development

The clinical trial of rabies vaccine in vero cell has also been completed and application for its new medicine certificate has been submitted to SFDA. The clinical trial of rhIFN α 2b effervescent tablet has been completed and application for new medicine certificate and approval for production have been submitted to SFDA and is currently under technical examination. The statistics of the results of the clinical trial of the rhIFN α 2b liposome cream have been compiled and the Group is preparing materials for the application of the new medicine certificate and which is expected to be submitted to SFDA by the end of the year. The clinical trial of the rhIFN α 2b buccal tablet is currently in progress. New medicines under the category, rhNGF and rhHSS, are undergoing pre-clinical technical research.

FINANCIAL REVIEW

Unaudited revenue of the Group for the Relevant Period amounted to approximately RMB15,908,000, representing a significant decrease of approximately 55.7% over the revenue of RMB35,900,000 recorded for the corresponding period last year. The unaudited revenue of the Group's main product, rhIFN α 2b for injection, accounted for approximately 84.4% of the total revenue of the Group for the Relevant Period. During the Relevant Period, because of a decline in the overall domestic medicine market as compared with the same period last year, the revenue of the Group experienced a sharp decline. Meanwhile, in response to changes in the market conditions, the Group has changed its sales model – from professional marketing undertaken by its self-employed sales team to a sales model of underwriting distributors on a minimum price basis with a view of controlling losses through reduction in expenses and expenditure on the basis of a decline in the revenue as a result of a sharp decrease in product prices. Therefore, the sharp decline in the revenue of the Group's products as compared with the same period last year was attributable to market contraction and the sharp decline in prices of the Group's products.

During the Relevant Period, the unaudited gross profit and the gross margin of the Group were approximately RMB13,060,000 and 82.1% respectively, representing a respective decrease of approximately RMB16,859,000 and 1.4% 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 Group remained at a steady level.

Unaudited selling and distribution expenses of the Group amounted to approximately RMB11,539,000 during the Relevant Period, representing a significant decrease of approximately RMB9,483,000 or approximately 45.1% when compared to that in the corresponding period last year. Such circumstances were mainly attributable to the Group's decreased revenue during the Relevant Period. The expenses for marketing and promotion based on a certain proportion of the revenue also dropped correspondingly. However, the Group had also adopted various approaches to strengthen the marketing of its products. Besides, the administrative expenses for maintaining each office were fixed expenses in nature which could not be lowered accordingly to reflect the decrease in revenue. Therefore, their share as a percentage of the revenue of the Group increased by approximately 23.7%.

The unaudited administrative expenses of the Group amounted to approximately RMB9,410,000 during the Relevant Period, representing a substantial increase of approximately RMB6,149,000 or an increase of approximately 188.6% when compared to that of the same period last year. Such increase was mainly due to the increase in salary expenses as a result of an increase in the number of staff, the payment of administrative fees for listing, the payment of auditor's remuneration and other management costs.

Unaudited other operating expenses of the Group amounted to approximately RMB11,063,000 during the Relevant Period, representing an increase of approximately RMB7,288,000 or approximately 193.1% over that of the same period last year. Such increase was mainly attributable to an increase of approximately RMB1,457,000 in the provision for doubtful debts.

The Group's unaudited loss before tax for the Relevant Period was approximately RMB20,134,000, while the unaudited profit before tax was approximately RMB1,309,000 for the same period last year. This was mainly attributed to a decline in revenue, an increase in the percentage of selling and distribution expenses and a sharp increase in administrative expenses and other expenses of the Group including provision for doubtful debts.

As such, the unaudited net loss attributable to the equity holders of the Company amounted to approximately RMB19,698,000 for the Relevant Period, while the unaudited profit attributable to the equity holders of the Company was approximately RMB916,000 for the corresponding period of the previous year.

LIQUIDITY AND FINANCIAL RESOURCES

Borrowings and banking facilities

As of 30 September 2006, the Company had bank loans of approximately RMB130,000,000 (the "Bank Loans"). The controlling shareholder's loans were approximately RMB19,000,000 (the "Shareholder's Loans") in total.

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 Shenzhen Neptunus Bio-engineering Company Limited ("Neptunus Bio-engineering"), and Mr. Chai Xiang Dong, the management shareholder of the Company, to provide various 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 of the Company currently held by it (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 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 the 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 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 which is provided on normal commercial terms (or better to the Company). The above connected 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 2005. The Loan Agreement further requires that such Guarantee Agreement and Agreement on Pledge of Shares shall remain valid during the term of the Company's Loan, 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 which is provided on normal commercial terms (or better to the Company). The above connected transactions therefore fall within the exempt connected transactions under Rule 20.65(4) of the GEM Listing Rules.

Shareholder's Loans

The Shareholders' Loans are interest free and no security over the assets of the Company is granted by the Company to the controlling shareholder in respect of the Shareholders' Loans. RMB9,000,000 of the Shareholder's loans has been used for the payment of the land premium for the land used by the Company for the construction of a new production base in Baoan, Shenzhen and the remaining RMB10,000,000 has been used for the repayment of the working capital loan borrowed by the Company from the Shenzhen Branch of the China Construction Bank. There is no fixed due date for the Shareholder's Loans. In respect of RMB9,000,000 of the Shareholder's Loans, 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 Company's 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 an announcement, 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. In respect of the remaining RMB10,000,000 of the Shareholder's Loans no commitment made has been made by the controlling shareholder, nor any repayment restrictions has been imposed on the Company.

Foreign currency risk

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

Contingent Liabilities

As at 30 September 2006, the Group has no significant contingent liabilities.

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

As at 30 September 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 regarding the securities of their listed issuer 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 in turn is interested in approximately 67.5% of the issued share capital of the Company as at 30 September 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 September 2006.

Save as disclosed above, as at 30 September 2006, none of the Directors, supervisors or chief executives 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 regarding the securities of their listed issuer 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, were any of the Directors and supervisors of the Company or any of their spouses or their children under the age of 18 allotted shares of the Company, nor have they been granted any right to acquire shares of the Company; nor were 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 September 2006, so far as the Directors and supervisors of the Company 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.
- 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 30 September 2006, the Directors and supervisors of the Company are not aware of any other persons (except the Directors, supervisors or chief executives 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 and its subsidiary have 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 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, to the knowledge of 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 30 September 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 the 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, they 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 (the "Audit Committee") on 21 August 2005 with terms of reference in compliance with 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-yearly 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

To the knowledge 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 of Directors
Shenzhen Neptunus Interlong Bio-technique Company Limited
Zhang Si Min
Chairman

Shenzhen, the PRC
10 November 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 Ms. Yu Lin and Mr. Ren De Quan; and the independent non-executive Directors are Mr. Yick Wing Fat, Simon, Mr. Poon Ka Yeung and Mr. Lu Sun.