



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)

2007
First 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 three months ended 31 March 2007 (the "Quarter"), the turnover of the Company together with its subsidiary, Ascendent Bio-Technology Company Limited, (collectively the "Group") was approximately RMB3,736,000, representing a decrease of approximately 49.39% from that of the same period last year.
- During the Quarter, the loss attributable to equity holders of the Group was approximately RMB6,560,000 as compared to the loss attributable to equity holders of approximately RMB2,839,000 in the same period last year.
- During the Quarter, the loss per share of the Group was approximately RMB0.69 cent.
- The board of Directors of the Company (the "Board") does not recommend the payment of any dividend for the Quarter.



QUARTERLY RESULTS (UNAUDITED)

The Board is pleased to present the unaudited results of the Group for the three months ended 31 March 2007, together with unaudited comparative figures for the corresponding period in 2006 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

For the three months ended 31 March 2007

| | Notes | For the three months ended 31 March | |
|--|-------|--|-----------------|
| | | 2007 (Unaudited) RMB'000 | 2006 RMB'000 |
| REVENUE | 4 | 3,736 | 7,382 |
| Cost of sales | | (1,129) | (1,363) |
| Gross profit | | 2,607 | 6,019 |
| Other income and gain | 4 | 73 | 184 |
| Selling and distribution costs | | (1,322) | (5,184) |
| Administration expenses | | (3,092) | (2,628) |
| Other operating expenses | | (2,698) | (732) |
| LOSS FROM OPERATING ACTIVITIES | 5 | (4,432) | (2,341) |
| Finance costs | 6 | (2,128) | (543) |
| LOSS BEFORE TAX | | (6,560) | (2,884) |
| Tax | 7 | — | 45 |
| LOSS FOR THE PERIOD ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY | | (6,560) | (2,839) |
| LOSS PER SHARE (RMB cents) | | | |
| Basic | 9 | 0.69 | 0.30 |



NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate information

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

During the Quarter, the Group was principally engaged in the research and development of modern biological technology and the production and sale of cytokines category protein therapeutic drugs and the production of vaccines for infectious diseases.

In the opinion of the Directors, the ultimate parent and immediate parent of the Company are Shenzhen Neptunus Group Company Limited and Shenzhen Neptunus Bio-engineering Company Limited respectively, which are incorporated in the PRC.

2. Basis of preparation and accounting policies

Basis of preparation

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

Basis of consolidation

The unaudited consolidated financial statements include the financial statements of the Company and its subsidiary for the Quarter. The result of the subsidiary is consolidated from the date of acquisition, being the date on which the Group obtains control, and continues to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.



3. Segment information

The Group conducts its business within one business segment, i.e., the business of manufacture and sale of medicine products. Accordingly, no business segment information is presented. The Group also operates within one geographical segment in the PRC. All segment assets, liabilities and capital expenditures are located in the PRC and therefore no other geographical segments are presented, except for the segment revenue. Segment revenue is presented based on the geographical location of customers.

An analysis by geographical segment, as determined by the location of the Group's operations, is as follows:

For the quarter ended 31 March 2007 (Unaudited)

| | Mainland China RMB'000 | Pakistan RMB'000 | Others RMB'000 | Total RMB'000 |
|-----------------------------|----------------------------------|----------------------------|--------------------------|-------------------------|
| Segment revenue: | | | | |
| Sales to external customers | 2,924 | 720 | 92 | 3,736 |
| Cost of sales | (884) | (218) | (27) | (1,129) |
| | <u>2,040</u> | <u>502</u> | <u>65</u> | <u>2,607</u> |
| Gross profit | <u>2,040</u> | <u>502</u> | <u>65</u> | <u>2,607</u> |

For the quarter ended 31 March 2006 (Unaudited)

| | | | | |
|-----------------------------|--------------|------------|------------|--------------|
| Segment revenue: | | | | |
| Sales to external customers | 6,232 | 650 | 500 | 7,382 |
| Cost of sales | (1,151) | (120) | (92) | (1,363) |
| | <u>5,081</u> | <u>530</u> | <u>408</u> | <u>6,019</u> |
| Gross profit | <u>5,081</u> | <u>530</u> | <u>408</u> | <u>6,019</u> |



4. Revenue, other income and gain

Revenue, which is also the Group's turnover, represents the net invoiced value of the 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 31 March | |
|-----------------------|--|-----------------|
| | 2007 (Unaudited) RMB'000 | 2006 RMB'000 |
| Revenue | | |
| Sale of medicines | 3,736 | 7,382 |
| Other income and gain | | |
| Bank interest income | 58 | 128 |
| Subsidy income | 15 | 1 |
| Others | — | 55 |
| | 73 | 184 |

5. Loss from operating activities

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

| | For the three months ended 31 March | |
|--|--|-----------------|
| | 2007 (Unaudited) RMB'000 | 2006 RMB'000 |
| Cost of inventories sold | 903 | 1,363 |
| Recognition of prepaid land lease payments* | 45 | 45 |
| Depreciation | 691 | 794 |
| Amortisation of intangible assets* | 180 | 265 |
| Research and development costs** | 1,506 | 719 |
| Minimum lease payments under operating leases | | |
| In respect of land and buildings | 203 | 245 |
| Provision for doubtful debts** | (1,433) | — |
| Loss on disposal of items of property, plant and equipment | — | — |

* These amounts are included in "Cost of sales" in the unaudited condensed consolidated income statement.

** These amounts are included in "Other operating expenses" in the unaudited condensed consolidated income statement.



6. Finance costs

| | For the three months ended 31 March | |
|--|--|------------|
| | 2007 | 2006 |
| | (Unaudited) | |
| | RMB'000 | RMB'000 |
| Interest on bank loan wholly repayable within five years | 2,223 | 543 |
| Less: Interest capitalised | 95 | 0 |
| | <u>2,128</u> | <u>543</u> |

7. Tax

The Company is located in the Shenzhen Special Economic Zone and is 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 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 quarters ended 31 March 2006 and 31 March 2007.

| | For the three months ended 31 March | |
|---------------------------|--|-------------|
| | 2007 | 2006 |
| | (Unaudited) | |
| | RMB'000 | RMB'000 |
| Deferred | — | (45) |
| Tax charge for the period | — | (45) |
| | <u>—</u> | <u>(45)</u> |

8. Dividends

The Board does not recommend the payment or declaration of any dividend for the Quarter (2006: Nil).

9. Loss per share

The calculation of basic loss per share for the Quarter is based on the unaudited net loss attributable to the equity holders of the Company of approximately RMB6,560,000 (2006: RMB2,839,000) and 946,670,000 ordinary shares in issue for Quarter (2006: 946,670,000).

Diluted earnings per share for the three month period ended 31 March 2006 and 31 March 2007 have not been calculated because no potential dilutive ordinary shares existed during these periods.

10. Reserves

As at 31 March 2007, the reserves of the Group were approximately RMB116,976,000 (2006: RMB145,752,000).



MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the Quarter, the Company mainly produced three drugs, namely rhIFN α 2b for injection, recombinant human interleukin-2 (125Ser) ("rhIL-2 (125Ser)") for injection and influenza vaccine, and mainly sold two drugs, rhIFN α 2b for injection and rhIL-2(125Ser) for injection. The two abovementioned products were mainly sold in the PRC and partly exported to the Southeast Asian markets. In the PRC market, sales volume of high dosage rhIFN α 2b for injection and recombinant human interleukin-2 (125Ser) ("rhIL-2 (125Ser)") for injection products continued to grow whereas the product sales volume in the international markets was growing constantly.

Influenza Vaccine Business

During the Quarter, the Company's manufacturing workshop for the new product in the Neptunus Industrial Complex has reached economies of scale of the year at the same time. Influenza vaccine was scheduled to be launched in the market in 2007 to 2008 when the sales season of influenza vaccine commences.

During the Quarter, the Company made an application to the Guangdong Food and Drug Administration (廣東省食品藥品監督管理局) for increasing the production area of the influenza vaccine plant in Baoan district, Shenzhen, and subsequently passed the on-site certification by the Guangdong Food and Drug Administration and obtained the approval for increasing the production area of pharmaceutical. The Company is preparing for the application of the PRC GMP Certificate.

International Market Business

The business of the Company in the international markets continued to grow. The Company's rhIFN α 2b for injection was the second largest in terms of market share in Pakistan. During the Quarter, the Company had successfully completed the medicine registrations of rhIFN α 2b for injection in Indonesia and the Philippines and had distributed the products to Myanmar, Sri Lanka and Cambodia through its distributors in Indonesia. In addition, the Company had submitted medicine registration information to the relevant departments in countries such as Korea, Thailand, Ukraine, Columbia, Mexico and Vietnam and these applications are being reviewed at the moment.

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 the State Food and Drug Administration of China (中國國家食品監督管理局)("SFDA"). The application is being reviewed at the moment.

Following the completion of the clinical research of rhIFN α 2b effervescent tablet and the construction of the GMP workshop, applications for new medicine certificate and approval for production were submitting to SFDA and these applications are being reviewed at the moment.

On 28 February 2007, the Company obtained the patent certificate for the patent called "a protein medicine in microcapsules and its inhalable aerosol" (Patent No.: ZL200410096165X) with a patent term until 30 November 2024.

The clinical trial of rhIFN α 2b liposome cream has been completed and the application for new medicine certificate has been submitted to SFDA in February 2007.



Prospects

According to the statistical information set out in the report on influenza vaccine issued by the National Institute for the Control of Pharmaceutical and Biological Products (中國藥品生物製品檢定所), a total of approximately 26 million influenza vaccines were produced in the PRC domestic market in 2006. 2007 is the first year for the official launch of the Company's new influenza vaccine product. The Company will actively expand its operations, with the aim of securing the maximum market share in the PRC.

FINANCIAL REVIEW

Revenue of the Group amounted to approximately RMB3,736,000 for the Quarter, representing a sharp decline of approximately 49.39% from approximately RMB7,382,000 for the corresponding period of the previous year. Revenue for the Quarter was derived from two products, namely rhIFN α 2b for injection and rhIL-2(125Ser) for injection, which accounted for approximately 81.46% and 18.54% of total revenue respectively. During the Quarter, the sales volume of the Group's products remained almost the same, and due to a decline in the overall domestic medicine market as compared with the corresponding period last year and the sharp decrease in the product price, the revenue of the Group experienced a sharp decline. In response to changes in the market conditions, the Group has changed its marketing model – from professional marketing undertaken by its self-employed sales team to a marketing model of underwriting distributors on a minimum price basis. The Company changed its marketing model also with a view to control losses through reduction in expenses.

During the Quarter, the gross profit and the gross margin of the Group were approximately RMB2,607,000 and 69.8% respectively, representing a sharp decrease of approximately RMB3,412,000 and a decrease of 11.7% respectively as compared with the corresponding period of the previous year. The decrease in gross profit was due to a sharp decline in sales revenue, while the decrease in gross margin was due to a substantial reduction in the selling price of the products as compared with the same period last year.

Selling and distribution expenses of the Group amounted to approximately RMB1,322,000 during the Quarter, accounting for 35.38% of the revenue and representing a drastic decrease of approximately RMB3,862,000. This represented a decrease of approximately 74.5% compared to approximately RMB5,184,000 in the corresponding period last year. The major reasons for the decline in expenses include: (i) prior to the Group's amendment of the marketing plan and policy, because of a reduction in total revenue, terminal sales promotion and marketing fees, which were incurred based on a certain percentage of the revenue, also dropped accordingly; (ii) due to the unfavourable impact brought about by the market environment in 2006, the Company decided to change its marketing model in August 2006. Of the selling and distribution expenses incurred during the Quarter, the amount incurred for the payment of fixed expenses such as wages and bonus, welfare expenses, social security payments, depreciation charges, marketing expenses and the expenses for the operation of branch offices had dropped substantially when compared to the corresponding period last year, benefits of the transformation have started to realise.



The unaudited administrative expenses of the Group amounted to approximately RMB3,092,000 during the Quarter, representing an increase of approximately RMB464,000 or approximately 17.7% when compared to that of the same period last year. Such increase was mainly due to an increase in management and maintenance fees and travel allowance of the new premise after the Group relocated its main production facility and office there.

Other unaudited operating expenses of the Group amounted to approximately RMB2,698,000 during the Quarter, representing an increase of approximately RMB1,966,000 and approximately 268.5% over that of the same period last year. Such increase was mainly attributable to a substantial increase in research and development costs and commissioning expenses for the Company's production plant for influenza vaccines at Baoan district, Shenzhen.

The Group's unaudited loss before tax for the Quarter was approximately RMB6,560,000, while the unaudited loss before tax was approximately RMB2,884,000 for the same period last year. The increase was mainly attributed to a decline in revenue, a sharp increase in the administrative expenses and other expenses of the Group.

As such, the unaudited net loss attributable to the equity holders of the Company amounted to approximately RMB6,560,000 for the Quarter, while the unaudited net loss attributable to the equity holders of the Company was approximately RMB2,839,000 for the corresponding period last year.

LIQUIDITY AND FINANCIAL RESOURCES

Borrowings and banking facilities

As of 31 March 2007, the Company had total bank loans of approximately RMB160,000,000, of which long-term loans were approximately RMB127,000,000; bank borrowings due within one year were approximately RMB33,000,000; loans from the Company's controlling shareholders were approximately RMB9,000,000 (the "Shareholder's Loan").

On 23 May 2006, the Company entered into a long-term loan agreement (the "CDB Loan Agreement") with China Development Bank ("CDB") for the grant by CDB of a loan of RMB130,000,000 (the "CDB Loan") to the Company to finance the Company's project on subunit vaccine of influenza virus. In addition, pursuant to the CDB Loan Agreement, CDB requires the Company, Neptunus Bio-engineering, the Company's controlling shareholder, and Mr. Chai Xiang Dong, management shareholder of the Company, to provide guarantee and securities (including without limitation to the pledge of the domestic shares of the Company currently held by them to CDB) to secure the CDB Loan. The Company would apply the revenue from the Project to repay the CDB Loan by instalments.

On 26 March 2007, the Company entered into an Entrusted Loan Agreement with Industrial Bank and an independent third party in an amount of approximately RMB30,000,000 (the "Entrusted Loan") for a term of one year. The Entrusted Loan was repayable on 26 March 2008 and the Company has not provided any guarantee or securities in respect of the CDB loans.



The CDB Loan Agreement and the CDB Loan

Specific performance obligations by the controlling shareholder

The CDB 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 CDB Loan. The CDB Loan Agreement requires Neptunus Bio-engineering to enter into an Agreement on Pledge of Shares with CDB and to act as a guarantor with joint liabilities together with the Company for the CDB Loan and to execute a Guarantee Agreement in favour of CDB. Neptunus Bio-engineering entered into the Agreement on Pledge of Shares and the Guarantee Agreement with CDB on 23 May 2006. The CDB Loan Agreement further requires that such Guarantee Agreement and Agreement on Pledge of Shares should remain valid during the term of the CDB Loan, that Neptunus Bio-engineering would not be in breach of any provision of the CDB 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 CDB. In addition, if Neptunus Bio-engineering's ability to provide security is weakened or the value of the pledged property decreases, the CDB Loan Agreement requires the Company to provide compensatory security within a time limit required by CDB and valid security agreements should be entered into between the security providers (including without limitation the Company and Neptunus Bio-engineering) and CDB. The CDB Loan Agreement further requires Neptunus Bio-engineering and Mr. Chai Xiang Dong to provide CDB with an undertaking in not to distribute 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 for in the Loan Agreement. They have further undertaken to vote against any proposed resolution regarding the distribution of dividends in the shareholders' meeting of the Company in the event that such conditions 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 CDB Loan amounted to financial assistance to the Company, the Company and is a connected transaction under the GEM Listing Rules 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 transaction is therefore an exempt connected transaction under Rule 20.65(4) of the GEM Listing Rules.

Pledge of Shares by controlling shareholder

On 23 May 2006, Neptunus Bio-engineering, entered into an Agreement on Pledge of Shares with 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 CDB as security for the CDB Loan. Pursuant to the Agreement on Pledge of Shares, if the Company fails to repay the CDB Loan in accordance with the terms of the CDB Loan Agreement, CDB would be entitled to sell the abovementioned pledged shares and to apply such proceeds to set-off the CDB Loan. The Company had received a notice from Neptunus Bio-engineering regarding the abovementioned pledge of Shares and 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 to CDB any new shares in the Company acquired by it during the term of the pledge of Shares.



Pledge of Shares by management shareholder

On 23 May 2006, Mr. Chai Xiang Dong, management shareholder of the Company, entered into an Agreement on Pledge of Shares with CDB pursuant to which Mr. Chai Xiang Dong pledged 47,671,000 domestic shares of the Company currently held by him (representing approximately 5.04% of the Company's issued share capital) to CDB as security for the CDB Loan. Pursuant to the Agreement on Pledge of Shares, if the Company fails to repay the CDB Loan in accordance with the terms of the CDB Loan Agreement, CDB would be entitled to sell the abovementioned pledged shares and to apply such proceeds to set-off the CDB Loan. The Company had received a notice from Mr. Chai Xiang Dong regarding the aforesaid pledge of Shares and had made an announcement on 24 May 2006 in respect of the pledge of shares by 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 any bonus or rights issues of shares offered by the Company to its shareholders during the term of the pledge of Shares, 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 required, 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 CDB Loan amounts to financial assistance to the Company and is a connected transaction under the GEM Listing Rules, 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 is therefore an exempt connected transaction under Rule 20.65(4) of the GEM Listing Rules.

Pledge of assets

Pursuant to the pledge agreements entered into between the Company and CDB on 23 May 2006, the Company pledged all its lawfully obtained land use rights, buildings, plant and facilities to CDB and the Company is in the process of completing the relevant pledge procedures.

The Company has also entered into the Agreement on Pledge of the Project Income Rights and Account Supervision, pursuant to which the Company is required to pledge all its income rights under the CDB Loan with CDB, and to deposit all revenue derived from the CDB Loan into the accounts maintained by the Company in the administering branch of CDB and a clearing bank. The revenue will be subject to supervision by CDB and the clearing bank.

Shareholder's Loans

The Shareholder's Loan is interest free and has been used to pay off the land premium for the land used by the Company for the construction of the new production base in Baoan, Shenzhen. There is no fixed due date for the repayment of the Shareholder's Loan and the controlling shareholder 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 Shareholder's Loan would not adversely affect the operations of the Company and/or the implementation of its business objectives as set out in the prospectus of the Company dated 29 August 2005; (2) each of the independent non-executive directors is of the opinion that the repayment of the Shareholder's Loan would 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 would make an announcement in respect of the decision of the independent non-executive directors; and (3) the Company has a positive cash flow and has retained profits in the relevant financial year.



SEGMENT INFORMATION

Segment revenue and segment results by business and region of the Company for the Quarter are set out in note 4 to the quarterly results.

POST BALANCE DATE EVENTS

1. Subsequent to 31 March 2007, the Group obtained from its immediate holding company a new loan of RMB39,000,000, repayable on 5 April 2009, the Company has not provided any guarantee and securities in respect of this loan.
2. Subsequent to 31 March 2007, the Board unanimously passed resolutions for the proposed issue of not more than 189,334,000 new H Shares, (representing not more than 80% and 20% of the existing issued H Shares and all the existing issued Shares of the Company respectively) for the purpose of raising additional funds of not more than \$170 million (including financing expenses). The Company made an announcement in respect of such placing on the website of the Hong Kong Stock Exchange on 26 April 2007.

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

As at 31 March 2007, 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 was interested in 0.054% of the entire share capital of Neptunus Bio-engineering, which in turn was interested in approximately 67.5% of the issued share capital of the Company.
- (b) Mr. Zhang Si Min held 15% of the issued capital of Ankeen Enterprises Limited ("Ankeen Enterprises"), which in turn was beneficially interested in approximately 41.90% of the entire share capital of Shenzhen Neptunus Group Company Limited ("Neptunus Group"), which in turn was beneficially interested in approximately 34.38% of the entire share capital of Neptunus Bio-engineering, which in turn was beneficially interested in approximately 67.5% of the share capital of the Company.

Save as disclosed above, as at 31 March 2007, none of the Directors, supervisors or chief executives of the Company nor their respective associates held 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 Quarter had 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 had 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

So far as the Directors and supervisors of the Company are aware, as at 31 March 2007, the 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:

- (a) Neptunus Group was deemed to be interested in the 639,000,000 shares of the Company held by Neptunus Bio-engineering as Neptunus Group was beneficially interested in approximately 34.38% of the entire share capital of Neptunus Bio-engineering.
- (b) Ankeen Enterprises was deemed to be interested in the 639,000,000 shares of the Company held by Neptunus Bio-engineering as Ankeen Enterprises was beneficially interested in approximately 41.9% of the entire share capital of Neptunus Group, which in turn was beneficially interested in approximately 34.38% of the entire share capital of Neptunus Bio-engineering.
- (c) Ms. Wang Jin Song ("Ms. Wang") was deemed to be interested in the 639,000,000 shares of the Company held by Neptunus Bio-engineering as Ms. Wang was beneficially interested in 85% of the entire share capital of Ankeen Enterprises, which in turn was beneficially interested in approximately 41.9% of the entire share capital of Neptunus Group, which in turn was beneficially interested in approximately 34.38% of the entire share capital of Neptunus Bio-engineering.
- (d) Ms. Li Li ("Ms. Li") was 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 was taken to be beneficially interested in any shares in which Mr. Chai Xiang Dong was interested.

Save as disclosed above, 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 held 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 as at 31 March 2007.



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 Quarter.

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 ending 31 December 2007. First Shanghai is paid for acting as the Company's compliance adviser.

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 31 March 2007.

COMPETING INTERESTS

On 21 August 2005, Neptunus Bio-engineering, entered into certain non-competition undertaking with the Company (the "Non-Competition Undertakings"), pursuant to which Neptunus Bio-engineering, *inter alia*, had undertaken to the Company and its associates that as long as the securities of the Company are listed on GEM:

1. it will not, and will procure that its associates will not, 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 produce any products, the usage of which is the same as or similar to that of the products of the Company, and which may constitute direct or indirect competition to the business operated by the Company from time to time; and
2. it will not, and will procure that its associates will not 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 such Undertakings, when Neptunus Bio-engineering or its associates enter into any negotiations, within or outside PRC, in relation to any new investment project which may compete with the existing and future business of the Company, the Company shall have a preferential right of investment in such new investment projects.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the Quarter, 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.



AUDIT COMMITTEE

The Company 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-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 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 of the Group for the Quarter.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICE

The Code on Corporate Governance Practices was effective for accounting periods beginning on or after 1 January 2005. The Company put strong emphasis on the superiority, steadiness and rationality of corporate governance. In order to comply with the requirements of the Code on Corporate Governance Practices, the Company has set up a committee to review its internal management structure. The Directors are of the view that the Company has complied with the requirements set out in Appendix 15 "The Code on Corporate Governance Practices" of the GEM Listing Rules throughout the accounting period covered by this quarterly report.

On behalf of the Board

Shenzhen Neptunus Interlong Bio-technique Company Limited

Zhang Si Min

Chairman

Shenzhen, the PRC, 12 May 2007

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.