



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)

2008  
First Quarterly Report

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

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*This report, for which the directors (the “Directors”) of 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 2008 (the "Quarter"), the revenue of the Company together with its subsidiary, Ascendent Bio-Technology Company Limited (collectively the "Group"), was approximately RMB3,619,000, basically equal that in the same period last year.
- During the Quarter, the loss attributable to equity shareholders of the Group was approximately RMB1,498,000 as compared to the loss attributable to equity shareholders of approximately RMB6,560,000 in the same period last year.
- During the Quarter, the loss per share of the Group was approximately RMB0.16 fen.
- 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 quarterly results of the Group for the three months ended 31 March 2008.

**CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)**

For the three months ended 31 March 2008

|   | Note | For the three months<br>ended 31 March |                 |
|---|------|--|-----------------|
|   |      | 2008<br>(Unaudited)<br>RMB'000         | 2007<br>RMB'000 |
| REVENUE   | 5    | <b>3,619</b>                           | 3,736           |
| Cost of sales   |      | <b>(1,315)</b>                         | (1,129)         |
| Gross profit  |      | <b>2,304</b>                           | 2,607           |
| Other income and gain   | 5    | <b>1,644</b>                           | 1,506           |
| Selling and distribution costs  |      | <b>(1,138)</b>                         | (1,322)         |
| Administrative expenses   |      | <b>(2,363)</b>                         | (3,092)         |
| Other operating expenses  |      | <b>(1,189)</b>                         | (4,131)         |
| LOSS FROM OPERATING ACTIVITIES  | 6    | <b>(742)</b>                           | (4,432)         |
| Finance costs   | 7    | <b>(756)</b>                           | (2,128)         |
| LOSS BEFORE TAX   |      | <b>(1,498)</b>                         | (6,560)         |
| Tax   | 8    | <b>—</b>                               | —               |
| LOSS FOR THE PERIOD ATTRIBUTABLE TO<br>EQUITY SHAREHOLDERS OF THE COMPANY |      | <b><u>(1,498)</u></b>                  | <u>(6,560)</u>  |
| LOSS PER SHARE (RMB FEN)  |      |  |                 |
| Basic   | 10   | <b><u>(0.16)</u></b>                   | <u>(0.69)</u>   |

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)***For the three months ended 31 March 2008*

|                         | <b>Issued<br/>share<br/>capital<br/>RMB'000</b> | <b>Share<br/>premium<br/>account<br/>RMB'000</b> | <b>Statutory<br/>surplus<br/>reserve<br/>fund<br/>RMB'000</b> | <b>Statutory<br/>public<br/>welfare<br/>fund<br/>RMB'000</b> | <b>(Accumulated<br/>losses)/<br/>Retained<br/>profits<br/>RMB'000</b> | <b>Total<br/>RMB'000</b> |
|-------------------------|---|--|---|--|---|--------------------------|
| At 1 January 2007       | 94,667  | 41,923   | 2,220   | 1,110  | (17,296)  | 122,624                  |
| Loss for the period     | —   | —  | —   | —  | (6,560)   | (6,560)                  |
| At 31 March 2007        | <u>94,667</u>                                   | <u>41,923</u>                                    | <u>2,220</u>  | <u>1,110</u>   | <u>(23,856)</u>   | <u>116,064</u>           |
| At 1 January 2008       | 94,667  | 41,923   | 2,220   | 1,110  | (38,463)  | 101,457                  |
| Loss for the period     | —   | —  | —   | —  | (1,498)   | (1,498)                  |
| <b>At 31 March 2008</b> | <b><u>94,667</u></b>                            | <b><u>41,923</u></b>                             | <b><u>2,220</u></b>   | <b><u>1,110</u></b>  | <b><u>(39,961)</u></b>  | <b><u>(99,959)</u></b>   |

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. Corporate information

The Company is a limited company registered in the People's Republic of China (the "PRC"). The registered office of the Company is located at 1st Floor, Block 1, Research Building, Neptunus Technical Center, Langshan 2nd R.N., Nanshan District, Shenzhen, Guangdong Province, the PRC.

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

### 2. Basis of presentation and accounting policies

The accounting policies adopted in preparing the unaudited condensed consolidated financial statements are based on Hong Kong Generally Accepted Accounting Principles, and in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs") issued by Hong Kong Institute of Certified Public Accountants ("HKICPA"), including Hong Kong Accounting Standards and interpretations ("HKASs"), as well as the disclosure requirements of Hong Kong Companies Ordinance, which are in line with the accounting policies adopted in the preparation of the Company's audited financial statements for the year ended 31 December 2007.

The financial statements are denominated in Renminbi ("RMB"), and based on historical cost method. Unless otherwise specifically stated, all amounts are presented in RMB'000.

### 3. Changes in accounting policies

#### 3.1 Impact of new and amended HKFRSs and HKASs

HKICPA has issued certain new and amended HKFRSs and HKASs which are generally applicable for accounting periods beginning on or after 1 January 2008. The Group has adopted the following HKFRS and HKAS which have been issued as at 31 March 2008 and which are relevant with these quarterly financial statements:

|  |   |
|--|---|
| HKAS 1 Amendment   | Capital Disclosures                             |
| HKFRS 7  | Financial Instruments: Disclosures              |
| Hong Kong (International Financial Reporting Interpretations Committee) ("HK(IFRIC)") - Int 11 | HKFRS 2 - Group and Treasury Share Transactions |
| HK(IFRIC) - Int 12   | Service Concession Arrangement                  |

Adoption of the above accounting standards does not have any significant impact on the Group's operating results or financial position.

### 3. Changes in accounting policies *(Continued)*

#### 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, that have been issued but are not yet effective, in these quarterly financial statements.

HKFRS 8 Operating Segments

HKFRS 8 shall be applied for annual periods beginning on or after 1 January 2009.

The Group expects that the adoption of the above policy is unlikely to have a significant impact on the Group's financial statements for the period in which the Group initially adopted such policies.

### 4. 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 expenditure are located in the PRC and therefore no geographical segments are presented, except for the segment revenue. Segment revenue is presented based on the geographical location of customers.

#### For the three months ended 31 March 2008 (unaudited)

|               | Mainland China<br>RMB'000 | Pakistan<br>RMB'000 | Others<br>RMB'000 | Total<br>RMB'000 |
|---------------|---------------------------|---------------------|-------------------|------------------|
| Sales revenue | 3,021                     | 506                 | 92                | 3,619            |
| Cost of sales | (1,126)                   | (152)               | (37)              | (1,315)          |
| Gross Profit  | <u>1,895</u>              | <u>354</u>          | <u>55</u>         | <u>2,304</u>     |

#### For the three months ended 31 March 2007 (unaudited)

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

## 5. Revenue, other income and gain

The Group's revenue, which is also the Group's turnover, represents the net invoiced value of goods sold net of value-added tax and after allowances for returns and trade discounts.

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

|  | For the three months<br>ended 31 March |                 |
|--|--|-----------------|
|  | 2008<br>(Unaudited)<br>RMB'000         | 2007<br>RMB'000 |
| Revenue                                  |  |                 |
| Sales of medicines                       | <b>3,619</b>                           | 3,736           |
| Other income and gain                    |  |                 |
| Bank interest income                     | <b>72</b>                              | 58              |
| Subsidy income                           | <b>75</b>                              | 15              |
| Reversal of provision for doubtful debts | <b>1,494</b>                           | 1,433*          |
| Others                                   | <b>3</b>                               | —               |
|  | <b>1,644</b>                           | 1,506           |

\* This amount was reclassified from "Other operating expenses" in the unaudited condensed consolidated income statements into "Other income and gain".

## 6. Loss from operating activities

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

|   | For the three months<br>ended 31 March |                 |
|---|--|-----------------|
|   | 2008<br>(Unaudited)<br>RMB'000         | 2007<br>RMB'000 |
| Cost of inventories sold  | <b>1,062</b>                           | 903             |
| Recognition of prepaid land lease payments*                                       | <b>45</b>                              | 45              |
| Depreciation  | <b>372</b>                             | 691             |
| Amortisation of intangible assets*  | <b>208</b>                             | 180             |
| Research and development costs**  | <b>384</b>                             | 1,506           |
| Minimum lease payments under operating leases<br>in respect of land and buildings | <b>160</b>                             | 203             |

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

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



## 7. Finance costs

|   | <b>For the three months<br/>ended 31 March</b> |         |
|---|--|---------|
|   | <b>2008</b>                                    | 2007    |
|   | <b>(Unaudited)</b>                             |         |
|   | <b>RMB'000</b>                                 | RMB'000 |
| Interest on bank loans repayable wholly within five years | <b>3,351</b>                                   | 2,223   |
| Less: Interest capitalised                                | <b>(2,595)</b>                                 | (95)    |
|   | <b>756</b>                                     | 2,128   |

## 8. Tax

No Hong Kong profits tax has been provided as the Group had no assessable profits arising in Hong Kong during the Quarter.

The Company is located in the Shenzhen Special Economic Zone and is subject to a corporate income tax rate of 15%. According to the relevant income tax laws and regulations of the PRC, the Company is entitled to an exemption of corporate income tax for the first two years commencing from the first year it recorded taxable incomes after deducting tax losses brought forward, and for a 50% exemption for the subsequent three years. Accordingly, the Company was entitled to a 50% exemption from income tax for the years ended 31 December 2005, 2006 and 2007.

As the Group has recorded losses during the Quarter, no provision for corporate income tax has been made.

On 16 March 2007, the PRC promulgated the "Corporate Income Tax Law of the PRC" ("New Tax Law") (Order No. 63 of the Chairman of the PRC). On 6 December 2007, the State Council promulgated Implementation Regulation of the New Tax Law. The New Tax Law and the Implementation Regulation amended tax rates from 33% to 25% commencing from 1 January 2008. For companies which are subject to 15% tax rates on its taxable profits obtained in the PRC commencing from 1 January 2008, the relevant tax rates will be increased to 25% in 2012.

## 9. Dividends

The Board does not recommend the payment or declaration of any dividend for the Quarter (2007: Nil).

## 10. Loss per share

For the Quarter, calculation of basic loss per share is based on the net loss attributable to equity shareholders of the Company of approximately RMB1,498,000 (2007: RMB6,560,000) and 946,670,000 ordinary shares in issue during the Quarter (2007: 946,670,000 ordinary shares).

Diluted earnings per share for the three months periods ended 31 March 2007 and 31 March 2008 have not been presented because no potential dilutive ordinary shares existed during these periods.

## 11. Reserves

As at 31 March 2008, reserves of the Group were approximately RMB5,292,000 (as at 31 March 2007: RMB21,397,000).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

During the Quarter, the Group was principally engaged in the research and development of modern biological technology, the production and sale of cytokines category protein therapeutic drugs and vaccines for contagious diseases. During the Quarter, the Company mainly produced and sold three drugs, namely recombinant human interferon  $\alpha 2b$  ("rhIFN $\alpha 2b$ ") for injection, recombinant human interleukin-2 (125Ser) ("rhIL-2 (125Ser)") for injection and subunit vaccine of influenza virus (the "influenza vaccine"). Of these, the sales of rhIFN $\alpha 2b$  for injection and rhIL-2 (125Ser) for injection represented 98% of the total revenue of the Group. These two products were mainly sold in the PRC and partly exported to the Southeast Asian markets.

### Influenza Vaccine Business

The influenza vaccine business is a key business to be developed by the Company in the future. During the Quarter the Company employed an experienced influenza vaccine production manager from the United Kingdom as assistant production general manager in overseeing the Company's manufacturing plant with a designed annual capacity of 10 million doses located in Baoan district, Shenzhen. The new assistant production general manager brings with him a wealth of knowledge and skills in influenza vaccine production management through his many years' experience with one of the top three multi-national vaccine manufacturers. Currently he is responsible for the preliminary preparations for the PRC GMP certification of the Baoan manufacturing plant, being the Company's prime objective, as well as ensuring that the Company's influenza vaccine products will meet international quality standards.

During the Quarter, sales of influenza vaccine produced at the Company's manufacturing facilities in Neptunus Industrial Complex (with a designed annual capacity of 1 million doses) continue. The Company intends to vigorously participate in academic exchanges and promotional activities in relation to the influenza vaccine at the later stage so as to promote brand awareness and increase market share.

### Interferon and Interleukin Business

During the Quarter, sales of the Company's rhIFN $\alpha 2b$  for injection and rhIL-2 (125Ser) for injection were on an agency model. As a result, sales volume of these two products of high dosage increased over the previous quarter. Turnover and sales expenses in this Quarter are comparable to that of the corresponding period last year, reflecting the steady operation of the current agency sales model in the domestic market.

## RESEARCH AND DEVELOPMENT

### New Product Development

Following the completion of clinical research of rhIFN $\alpha$ 2b effervescent tablet, approval for production and new medicine certificate have been granted during the Quarter by the State Food & Drug Administration of China. This project is currently at the stage of applying for GMP certification.

### Patent

On 1 February 2008, the Company applied for the international patent "interferon liposome cream" PCT for admission into South Africa (South Africa patent application no. 2006-06309).

## PROSPECTS

International demand for influenza vaccine has been increasing in recent years. The Company will focus on international production management structures and product quality standards for influenza vaccine and strive to raise the quality of its influenza vaccine products, so as to form a foundation for expansion into international markets at a later stage.

The Company will continue to invest in the research and development of new products so as to upgrade the existing product structure as well as minimizing operational risks.

## FINANCIAL REVIEW

Revenue of the Group for the Quarter amounted to approximately RMB3,619,000, comparable to approximately RMB3,736,000 for the corresponding period last year. Main income for the Quarter came from the two products rhIFN $\alpha$ 2b for injection and rhIL-2(125Ser) for injection, representing 77.15% and 20.75% of total revenue respectively. During the Quarter, concentrated promotional efforts in high specification products attained exceptional results, with sales of rhIFN $\alpha$ 2b of 5m IU achieving approximately RMB1,516,000, representing 41.89% of total revenue.

Other income of the Group for the Quarter was RMB1,644,000. 90.90% of this Quarter's other income came from the write back of provision for doubtful debts previously provided.

The Group's unaudited loss for the Quarter attributable to equity shareholders amounted to approximately RMB1,498,000, which is a significant decrease of approximately 77.16% from an unaudited loss of approximately RMB6,560,000 in the corresponding period last year. This is mainly due to a decrease in overall expenses through better control during the Quarter.

General and administrative expenses of the Group were RMB2,441,000 for the Quarter, a decrease of approximately 21.05% from RMB3,092,000 in the corresponding period last year. Improved controls over operational expenses and travel and entertainment expenses have contributed to the decrease.

Other operational expenses for the Group was RMB1,189,000 for the Quarter, a significant decrease of 71.22% from approximately RMB4,131,000 for the corresponding period last year. This decrease was due to the decrease of relevant costs incurred by personnel from the engineering department responsible for the 10 million doses influenza vaccine project by RMB1,693,000 as compared to the same period last year, and the reclassification of reversal of provision for doubtful debts of RMB1,433,000 for the corresponding period last year into "Other income and gain".

Finance costs of the Group amounted to approximately RMB756,000 for the Quarter, a significant decrease of about 64.47% from approximately RMB2,128,000 of the corresponding period last year. The main reason for this was that the long-term loan from China Development Bank had utilized part of the fund for the construction of the 10 million doses influenza vaccine project during the first quarter of 2007, thus only approximately RMB95,000 of the relevant interest were capitalized. During the Quarter, however, such loan has been fully utilized for the aforesaid project and total relevant interest capitalized was approximately RMB2,595,000.

## LIQUIDITY AND FINANCIAL RESOURCES

The Company normally funds its operations and investment activities from its internal financial resources and bank loans. The Company's dealing transactions are mainly denominated in RMB, and are regularly reviewed for the requirements of liquidity and financing.

### Borrowings and banking facilities

As of 31 March 2008, the Group had total bank financing liabilities of approximately RMB127,000,000, which are all long-term bank borrowings. Entrusted loans from the Company's controlling shareholders were approximately RMB78,000,000.

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 (the "Loan Project"). Pursuant to the CDB Loan Agreement, CDB requires the Company, Neptunus Bio-engineering Co., Ltd. ("Neptunus Bio-engineering"), the Company's controlling shareholder, and Mr. Chai Xiang Dong, the 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 Loan Project to repay the CDB Loan by installments.

On 26 March 2007, the Company entered into an Entrusted Loan Contract with Industrial Bank and an independent third party in respect of an amount of approximately RMB30,000,000 (the "Entrusted Loan"). The Entrusted Loan has been paid on 26 March 2008 by Neptunus Bio-engineering, the parent of the Company. The original plan of the Company to repay from the proceeds of additional issue of new H shares, but as the time of receipt of the proceeds from the additional issue of new H shares is after the expiry of the Entrusted Loan, Neptunus Bio-engineering has upon the expiry of the above Entrusted Loan, entered into a new "Entrusted Loan Contract" with the Industrial Bank of China, and repaid the above Entrusted Loan of RMB30,000,000 to the Industrial Bank on behalf of the Company. The Company has not provided any guarantee or securities in respect of the Entrusted Loan to Neptunus Bio-engineering. After the completion of additional issue of new H shares, the Company will repay RMB30,000,000 to Neptunus Bio-engineering. The interest rate under the new "Entrusted Loan Contract" shall refer to the interest rates of commercial bank loans during the same period.

## THE CDB LOAN AGREEMENT AND THE ENTRUSTED 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 provisions 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 to 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 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 CDB 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 CDB Loan Agreement have not been satisfied.

### 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.

Although the Guarantee Agreement and the Agreement on Pledge of Shares executed by Neptunus Bio-engineering for the purpose of securing the CDB Loan and its shareholders' entrusted loans to the Company amount to financial assistance to the Company, and are connected transactions under the GEM Listing Rules, 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 connected transactions are therefore exempt connected transactions under Rule 20.65(4) of the GEM Listing Rules.

### **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 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 working 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 connected transaction is therefore an exempt connected transaction under Rule 20.65(4) of the GEM Listing Rules.

### Shareholder's Entrusted Loans

The shareholder's entrusted loan amounted to RMB9,000,000. The calculation of loan interests shall make reference to the commercial bank loan rate for the same period. But the interest is waived for the Year. The entrusted loan 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. The due date of this shareholder's entrusted loan is on 5 April 2009, but the controlling shareholder of the Company has undertaken to the Company that it would not demand repayment of the abovementioned entrusted loan unless and until: (1) the repayment of such shareholder's entrusted 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; (2) each of the independent non-executive Directors is of the opinion that the repayment of such shareholder's entrusted 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 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.

The shareholder's entrusted loan amounting to RMB39,000,000 for a term of two years obtained by the Company on 6 April 2007 was mainly used as working capital in the daily operating activities of the Company. The interest of this borrowing shall make reference to the commercial bank loan rate for the same period, to be repaid together with the principal upon maturity.

The shareholder's entrusted loan of RMB30,000,000 obtained on 26 March 2008 was mainly used for the Company's repayment of the Entrusted Loan arranged by the Company and the Industrial Bank of China and an independent third party which matured in March 2008. The new shareholder's entrusted loan of RMB30,000,000 needs to be repaid within 15 working days after the completion of the fund raising (if any) by the Group. The interest rates of the above loans shall refer to the interest rates of commercial bank loans during the same period, and are repayable together with the principal upon maturity of the loan.

On 18 March 2008, Neptunus Bio-engineering, the parent of the Company, has undertaken to the Company that if the Company has no sufficient working capital to satisfy its current needs, Neptunus Bio-engineering will provide suitable financial aids to satisfy the Company's continued operation capabilities in 2008. During the Quarter, the Company has not encountered any insufficiency in its working capital.

### Pledge of assets

Pursuant to the pledge agreements entered into between the Company and CDB in 2006, the Company pledged all its lawfully obtained land use rights, buildings, plant and facilities to CDB and 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 income rights under the Loan Project with CDB, and to deposit all revenue derived from the Loan Project into the accounts maintained by the Company in the administering branch of CDB and the clearing bank. The revenue will be subject to supervision by CDB and the clearing bank.

### Segment information

The Company's segment revenue and segment results by business operations and geographical segments during the Quarter are set out in note 4 to this first quarterly results report.

## INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES IN THE LISTED SECURITIES OF THE COMPANY

As at 31 March 2008, 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:*

| <b>Director/supervisor</b>       | <b>Capacity</b>  | <b>Type of Interests</b> | <b>Number of domestic shares held</b> | <b>Approximate percentage of the domestic shares</b> | <b>Approximate percentage of the Company's issued share capital</b> |
|----------------------------------|------------------|--------------------------|---------------------------------------|--|---|
| Mr. Chai Xiang Dong <sup>1</sup> | Beneficial owner | Personal                 | 47,671,000                            | 6.71%  | 5.04%   |
| Ms. Wang Yan <sup>2</sup>        | Beneficial owner | Personal                 | 14,200,000                            | 2.00%  | 1.50%   |
| Mr. Yu Jun <sup>3</sup>          | 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<br>(Note (a)) | Beneficial owner | Personal          | Neptunus Bio-engineering                             | 332,016   | 0.054%  |
| Mr. Zhang Si Min<br>(Note (b)) | Beneficial owner | Personal          | Ankeen Enterprises Limited<br>("Ankeen Enterprises") | 15  | 15%   |
| Mr. Yu Lin<br>(Note (c))       | Beneficial owner | Personal          | Neptunus Bio-engineering                             | 73,515  | 0.012%  |

Notes:

- (a) Mr. Zhang Si Min was interested in 0.054% of the entire share capital of Neptunus Bio-engineering, the Company's controlling shareholder, which in turn was interested in approximately 67.5% of the issued share capital of the Company as at 31 March 2008.
- (b) Mr. Zhang Si Min held 15% of the issued capital of Ankeen Enterprises, which in turn was beneficially interested in approximately 41.9% 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 as at 31 March 2008.
- (c) Ms. Yu Lin was interested in 0.012% of the issued share capital of Neptunus Bio-engineering, the controlling shareholder of the Company, which in turn was interested in approximately 67.5% of the issued share capital of the Company as at 31 March 2008.

Save as disclosed above, as at 31 March 2008, 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 been allotted any 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 of the Company to acquire such rights of any other 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 2008, 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:*

|                               |                                    | <b>Number of<br/>domestic<br/>shares held</b> | <b>Approximate<br/>percentage of the<br/>domestic shares</b> | <b>Approximate<br/>percentage of the<br/>Company's issued<br/>share capital</b> |
|-------------------------------|------------------------------------|---|--|---|
| 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 issued 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 issued 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 Bioengineering as Ms. Wang was beneficially interested in 85% of the entire issued 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 issued 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 2008.

## **PURCHASE, REPURCHASE OR SALE OF LISTED SHARES OF THE COMPANY**

The Company or its subsidiary has not purchased, repurchased or sold any of the Company's listed securities 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 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 at 31 March 2008, 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 shares of the Company, or had any options or rights to subscribe for or to nominate persons to subscribe for the shares of the Company.

## **COMPETING INTERESTS**

On 21 August 2005, Neptunus Bio-engineering, 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, 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 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, 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 with the business operated by the Company from time to time; and
2. it will not, and will procure its associates not to hold any interest, whether within or outside the PRC, in any company or 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 the 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. Having made specific enquiry of all the Directors, all the Directors have confirmed that they have not conducted any transaction in respect of the Company's securities during the abovementioned 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 established an Audit Committee ("Audit Committee") on 21 August 2005 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 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 results of the Group for the Quarter.

## COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICE

The Code on Corporate Governance Practice has been effective for accounting periods commencing on or after 1 January 2005. The Company insists on a ruling, stable and reasonable corporate governance. In order to comply with the requirements of Corporate Governance Practice, the Company has set up a committee to review its management structure. The Directors are of the opinion that during the whole accounting period covered by this quarterly results report, the Company has complied with the requirements under the Code on Corporate Governance Practice set out in Appendix 15 to the GEM Listing Rules.

On behalf of the Board

**Shenzhen Neptunus Interlong Bio-technique Company Limited**

**Zhang Si Min**

*Chairman*

Shenzhen, the PRC, 8 May 2008

*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.*