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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

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This announcement, 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 enquiries, confirm that, to the best of their knowledge and belief:– (i) the information contained in this announcement is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this announcement misleading; and (iii) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

Chairman's Statement

Dear shareholders,

The Company and its subsidiary, Ascendent Bio-Technology Company Limited (collectively the "Group") were committed to the development of their existing business operations and strived to seek international renowned pharmaceutical companies as cooperation partners for our influenza vaccines business operations in order to introduce advanced international production and quality management system and product quality standards for influenza vaccines during the year ended 31 December 2008 (the "Year").

The Company's current cytokines business ("Cytokines Business") which includes the production and sales of recombinant human interferon α2b for injection ("rhIFNα2b for injection") and recombinant human interleukin-2 for injection (125Ser) ("rhIL-2 (125Ser) for injection") (collectively the "Core Products") continued its stable development during the Year, growth in sales was not significant as compared to 2007. During the first two months of 2009, revenue from the Cytokines Business decreased by 50% as compared to the same period in 2008. The Company decided to dispose of the Cytokines Business due to its unsatisfactory performance and the fact that further improvement on the profitability of the Cytokines Business will involve substantial costs and time. In order to reallocate the Group's resources to more profitable businesses, the Group intends to implement certain business restructuring and expansion plans, upon completion of such plans, (i) the Company will be transformed from a cytokines therapeutic drugs production company to a company focused on the R&D business; and (ii) the Group will participate in the development, production and sale of influenza vaccines and generic drugs through the operating subsidiaries of the Company. In order to enable the Company to quickly achieve its goals in the reduction of fixed costs and for better allocation of resources to facilitate the business restructuring and expansion plans of the Group, the Company ceased the operations of the Cytokines Business on 16 March 2009. In order to facilitate the relevant business restructuring and expansion plans, the Company has taken various steps described below.

On 20 November 2008, the Company entered into a cooperation agreement (the "Cooperation Agreement") for the establishment of a joint venture company (the "JV Company") with GlaxoSmithKline Biologicals SA and GlaxoSmithKline Pte Ltd ("GSK Pte") (collectively "GSK"). The Company has satisfied most of the conditions precedent under the Cooperation Agreement. The Company expects to sign the Joint Venture Contract ("JV Contract") with GSK Pte between May and June 2009 and to establish the JV Company between July and August 2009. Upon the establishment of the JV Company, it will be beneficially owned by the Company and GSK Pte as to 60% and 40% respectively. The board of directors ("the Board") of the Company believes that the JV Company will become the operating subsidiary of the Company for the development of the influenza vaccines business. The JV Company can significantly increase its annual production capacity and produce high quality vaccines on a larger scale in a more cost effective way, so as to provide its products with a strong competitive advantage. With GSK's branding power in the industry, the Board expects to explore a more extensive network in overseas vaccine market. The Board believes that such global network will potentially fuel a significant revenue growth for the JV Company. The Board also believes that the Company's equity interests in the JV Company will generate profits to the Company and enhance the Company's image and position in the global bio-pharmaceutical industry.

Chairman's Statement

In view of the reforms in the PRC's medical system and the increased investments in the city and rural medical insurance schemes by the PRC government, the Board believes that the generic drugs market in the PRC is and will be growing rapidly and there will be great development potential for such drugs. Therefore, the Company intends to expand into this market and will consider acquisition of pharmaceutical manufacturer specializing in generic drugs. Subsequent to the Year, the Company entered into a letter of intent with Shenzhen Neptunus Bio-engineering Company Limited ("Neptunus Bio-engineering") and Shenzhen Neptunus Pharmaceutical Company Limited ("Neptunus Pharmaceutical") in relation to the disposal by the Company of the Cytokines Business and the relevant assets and the acquisition by the Company of the equity interests in Fuzhou Neptunus Fuyao Pharmaceutical Company Limited ("Neptunus Fuyao"). These transactions, if materialized, are expected to bring positive support for the Company's operating cash flow.

The proposed placement of the Company's new H shares was postponed as a result of the global financial crisis. The Company is actively conducting research on the placement of its new H shares and will strive to complete the placement of its new H shares as soon as practicable.

The Board believes the business restructuring and expansion plans of the Group are in the best interest of the Group and is confident about the business prospects of the Group.

On behalf of the Company and the Board, I would like to express my heartfelt gratitude to all shareholders, business partners and all staff for their continuing support to and trust in the Group.

Zhang Si Min
Chairman

The Board announces the audited consolidated results of the Group for the year ended 31 December 2008 together with the comparative figures for the previous year as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2008

	Note	**2008**	2007
		RMB'000	RMB'000
TURNOVER	3, 9	**16,310**	16,160
COST OF SALES		**(7,477)**	(5,103)
GROSS PROFIT		**8,833**	11,057
OTHER REVENUE	4	**2,650**	3,347
Selling and distribution expenses		**(3,242)**	(3,897)
Administrative expenses		**(13,047)**	(17,088)
Other operating expenses		**(20,234)**	(12,270)
LOSS FROM OPERATIONS		**(25,040)**	(18,851)
Finance costs	5(a)	**(5,831)**	(2,541)
LOSS BEFORE TAXATION	5	**(30,871)**	(21,392)
Income tax	6(a)	**276**	225
LOSS FOR THE YEAR		**(30,595)**	(21,167)
Attributable to:			
Equity shareholders of the Company		**(30,595)**	(21,167)
Dividends payable to equity shareholders of the Company attributable to the year:	7	**—**	—
Loss per share			
Basic	8	**RMB(3.23) cents**	RMB(2.24) cents
Diluted	8	**RMB(3.23) cents**	RMB(2.24) cents

CONSOLIDATED BALANCE SHEET

As at 31 December 2008

	Note	2008 RMB'000	2007 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**256,978**	224,361
Interest in leasehold land held for own use under operating leases		**8,434**	8,615
Intangible assets		**23,297**	23,835
Prepayments for purchase of technical know-how		**—**	6,573
Deferred tax assets		**726**	450
		289,435	263,834
CURRENT ASSETS			
Inventories		**1,994**	11,912
Trade and other receivables	10	**3,926**	10,980
Pledged deposits		**—**	418
Cash and cash equivalents		**3,773**	38,650
		9,693	61,960
CURRENT LIABILITIES			
Trade and other payables	11	**24,531**	13,554
Interest-bearing bank borrowings		**14,000**	37,000
Tax payable		**2,342**	2,342
		(40,873)	(52,896)
NET CURRENT (LIABILITIES)/ASSETS		**(31,180)**	9,064
TOTAL ASSETS LESS CURRENT LIABILITIES		**258,255**	272,898

	Note	**2008**	2007
		RMB'000	RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		**106,000**	120,000
Entrusted loans from immediate parent company		**78,000**	48,000
Deferred revenue		**3,393**	3,441
		(187,393)	(171,441)
NET ASSETS		**70,862**	101,457
CAPITAL AND RESERVES			
Share capital		**94,667**	94,667
Reserves		**(23,805)**	6,790
TOTAL EQUITY		**70,862**	101,457

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2008

1. SIGNIFICANT ACCOUNTING POLICIES

a) STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the 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. These financial statements also comply with the applicable disclosure provisions of the GEM Listing Rules of the Stock Exchange. A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain amendments and interpretations which are or have become effective. It has also issued certain new and revised HKFRSs which are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 2 provides information on initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

b) BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The Group incurred a loss attributable to equity shareholders of the Company of approximately RMB30,595,000 (2007: approximately RMB21,167,000), net current liabilities of approximately RMB31,180,000 (2007: net current assets of approximately RMB9,064,000) and net decrease in cash and cash equivalents of RMB34,877,000 (2007: net increase in cash and cash equivalents of approximately RMB1,687,000). In addition, as at 31 December 2008, the Group has contracted commitments for future capital expenditure of approximately RMB20,220,000 (2007: RMB23,838,000).

In preparing these financial statements, the Directors have given careful consideration to the impact of the current and anticipated future liquidity of the Group and the ability of the Group to attain profitable and positive cash flow operations in the immediate and longer term.

In order to strengthen the capital base of the Group and to improve the Group's financial position, liquidity and cash flows in the immediate foreseeable future, and otherwise to sustain the Group as a going concern, the directors have adopted the following measures.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)

On 2 December 2008, the immediate parent company of the Group, Neptunus Bio-engineering agreed to provide the following facilities to the Group:

i) The immediate parent company agreed to provide a further entrusted loan of RMB60,000,000 to the Group (the "New Borrowings") to finance for the new project with GSK. The repayment term of the New Borrowings will be more than 1 year or within 15 working days after the completion of the Group's fund raising, if any, to be done in future (whichever is earlier).

   On 15 April 2009, a Consolidated Credit Facilities Agreement(《綜合授信額度合同》) was entered into between the immediate parent company and Longgang Branch of Shenzhen Development Bank Company Limited ("SDB"), and a Maximum Amount of Pledge Guarantee Agreement(《最高額抵押擔保合同》) was entered into among the immediate parent company, a fellow subsidiary and SDB, under which the immediate parent company and the fellow subsidiary provided guarantee for the pledges with their self-owned properties. SDB granted a credit facilities of RMB40 million to the immediate parent company, and the immediate parent company transferred RMB30 million of the credit facilities to the Company, the credit facilities will expire by 2010. The Company has not pledged any assets of the Company to SDB, the immediate parent company or the fellow subsidiary for the loan.

ii) For the existing three entrusted loans (the "Entrusted Loans") with a total amount of RMB78,000,000 (2007: RMB48,000,000) provided by the immediate parent company during the year, the repayment date is extended to not less than one year or within 15 working days after the completion of the Group's fund raising, if any, to be done in future (whichever is earlier).

iii) In addition to (i) and (ii) above, the immediate parent company indicated its intention, to provide further stand-by facilities of RMB30,000,000 to the Group when required. The stand-by facilities will be given in the form of an entrusted loan. The repayment term of the entrusted loan will be more than 1 year, and the interest rate will not be higher than market interest rate.

In the opinion of the Directors, in light of the measures taken to date, together with the expected results of other measures in progress, the Group will have sufficient working capital for its current requirements. Accordingly, the Directors consider that it is appropriate to prepare the financial statements on a going concern basis.

Should the Group be unable to continue as a going concern, adjustments would have to be made to restate the values of assets to their recoverable amounts, to provide for any further liabilities which might arise and to classify non-current assets and liabilities as current assets and liabilities, respectively. The effects of these potential adjustments have not been reflected in the financial statements.

The consolidated financial statements for the year ended 31 December 2008 comprise the Company and its subsidiary.

The measurement basis used in the preparation of the financial statement is the historical cost basis. These financial statements are presented in Renminbi ("RMB") and it is also the functional currency of the Company and its subsidiary and all values are rounded to the nearest thousand except where otherwise indicated.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (continued)

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has where applicable applied the following amendments and interpretations ("new HKFRSs") issued by the HKICPA which are or have become effective.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC) – Int 11	HKFRS 2: Group and Treasury Share Transactions
HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction

The application of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior adjustment is required.

The Group has not early applied any of the following new and revised standards, amendments or interpretations which have been issued but are not yet effective for annual periods beginning on 1 January 2008.

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKAS 1 (Revised)	Presentation of Financial Statements[2]
HKAS 23 (Revised)	Borrowing Costs[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[2]
HKAS 39 (Amendment)	Eligible hedged items[3]
HKFRS 1 and HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[2]
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standard[3]
HKFRS 2 (Amendments)	Vesting Conditions and Cancellations[2]
HKFRS 3 (Revised)	Business Combinations[3]
HKFRS 7 (Amendments)	Improving disclosures about Financial Instruments[2]
HKFRS 8	Operating Segments[2]
HK(IFRIC) – Int 9 & HKAS39 (Amendments)	Embedded Derivatives[6]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[4]
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate[2]
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation[5]
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners[3]
HK(IFRIC) – Int 18	Transfers of Assets from Customers[7]

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

[1] Effective for annual periods beginning on or after 1 January 2009 except for the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009
[2] Effective for annual periods beginning on or after 1 January 2009
[3] Effective for annual periods beginning on or after 1 July 2009
[4] Effective for annual periods beginning on or after 1 July 2008
[5] Effective for annual periods beginning on or after 1 October 2008
[6] Effective for annual periods beginning on or after 30 June 2009
[7] Effective for transfers of assets from customers received on or after 1 July 2009

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary.

The Company's directors anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. TURNOVER

The principal activities of the Group are the research and development of modern biological technology, production and sales of cytokine therapeutic drugs and sale of vaccines for infectious disease in the People's Republic of China (the "PRC").

Turnover represents the net invoiced value of goods sold net of value-added tax and after allowances for returns and trade discounts.

	2008	2007
	RMB'000	RMB'000
Sales of medicines	**16,310**	16,160

4. OTHER REVENUE

	2008	2007
	RMB'000	RMB'000
Interest income on bank deposits	**135**	800
Total interest income on financial assets not at fair value through profit or loss	**135**	800
Subsidy income released from deferred revenue	**348**	348
Recovery of doubtful debts*	**1,780**	2,015
Others	**387**	184
	2,650	3,347

* During the year, the Group engaged a solicitor in the PRC, an independent third party, for the collection of long outstanding trade receivables. The solicitor succeeded in recovering approximately RMB1,780,000 (2007: RMB2,015,000) of doubtful debts for the Group.

5. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging/(crediting) the following:

	2008 RMB'000	2007 RMB'000
a) Finance costs:		
Interest on bank loans wholly repayable within five years	**453**	1,490
Interest on bank loans wholly repayable after five years	**9,901**	8,967
Interest on entrusted loans from immediate parent company	**3,954**	1,443
Total interest expense on financial liabilities not at fair value through profit or loss	**14,308**	11,900
Less: Government grant for compensation of loan interest expense *	**(2,454)**	(6,000)
	11,854	5,900
Less: Interest expense capitalized as cost of construction in progress	**(6,023)**	(3,359)
	5,831	2,541

* During the year ended 31 December 2008, the Company received a grant of RMB2,454,000 (2007: RMB6,000,000) from Shenzhen Bureau of Finance and Shenzhen Bureau of Trade and Industry to subsidize interest arising from loan borrowed by the Company for improvement of the plant for the production of influenza vaccine, incurred by the Company during the year of grant. The subsidies were made to selected companies in Shenzhen to encourage companies to improve their production technology in different industries. The grant is unconditional and not repayable and there were no unfulfilled conditions or other contingencies attaching to such grant that has not been recognised.

5. LOSS BEFORE TAXATION (continued)

Loss before taxation is arrived at after charging/(crediting) the following: (continued)

		2008 RMB'000	2007 RMB'000
b)	Staff costs:		
	Contributions to defined contribution retirement plan	**496**	845
	Salaries, wages and other benefits (including directors' emoluments)	**7,170**	11,054
		7,666	11,899
c)	Other items:		
	Amortisation		
	– interest in leasehold land held for own use under operating lease	**181**	181
	– intangible assets *	**2,696**	3,004
	Depreciation		
	– assets held for own use under operating leases	**359**	376
	– other assets	**3,281**	4,290
	Impairment of		
	– intangible assets *	**6,165**	2,096
	– trade receivables *	**249**	—
	Write-down of inventories *	**1,947**	—
	Net foreign exchange loss	**84**	95
	Loss on disposal of property, plant and equipment *	**67**	—
	Auditor's remuneration		
	– audit services	**1,173**	1,053
	– other services	**693**	535
	Operating lease charges: minimum lease payments	**167**	806
	Cost of inventories	**7,477**	5,103
	Research and development costs *	**8,236**	8,423

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

6. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

a) Income tax in the consolidated income statement represents:

	2008 RMB'000	2007 RMB'000
Current tax		
PRC Enterprise Income Tax	**—**	—
Deferred tax		
Origination and reversal of temporary differences	**276**	225
	276	225

Hong Kong Profits Tax has not been provided for as the Group has no income assessable to Hong Kong Profits Tax.

The PRC enterprise income tax (the "EIT") for the year ended 31 December 2008 is 25% (2007: 7.5%). The EIT has not been provided for as the Group has incurred loss for the year.

On 16 March 2007, the PRC government promulgated the Law of the People's Republic of China on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations has changed the tax rate from 33% to 25% from 1 January 2008.

The Company is located in the Shenzhen Special Economic Zone and as a high technology enterprise, the Company is therefore subject to an enterprise income tax rate of 15%. In accordance with the relevant income tax laws and regulations in the PRC, the Company is exempted from EIT for two years commencing from its first year with assessable profits after deducting tax losses brought forward, and is entitled to a 50% tax exemption for the years ended 31 December 2005, 2006 and 2007.

6. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT (continued)

b) Reconciliation between tax expense and accounting loss at the applicable tax rates:

	2008	2007
	RMB'000	RMB'000
Loss before taxation	**(30,871)**	(21,392)
Notional tax on loss before taxation, calculated at the rates applicable to profits on the tax jurisdictions concerned	**(7,685)**	(7,059)
Lower tax rate for specific provinces or local authority	**—**	5,455
Tax effect of non-deductible expenses	**3,736**	752
Tax effect of non-taxable income	**(532)**	(177)
Tax effect of unused tax losses not recognized	**4,397**	1,254
Increase in opening deferred tax assets resulting from an increase in applicable tax rate	**360**	—
Tax credit	**276**	225

7. DIVIDENDS

The Directors did not propose the payment of any dividend for the years ended 31 December 2008 in view of the losses for the respective years (2007: Nil).

8. LOSS PER SHARE

a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of RMB30,595,000 (2007: RMB21,167,000) and the weighted average number of 946,670,000 ordinary shares (2007: 946,670,000 ordinary shares) in issue during the year.

b) Diluted loss per share

Diluted loss per share equals to basic loss per share as there were no potential dilutive ordinary shares outstanding for all periods presented.

9. SEGMENT REPORTING

The Group conducts its business within one business segment, that is the business of manufacturing and selling medicine products. Accordingly, no business segment information is presented. The Group also operates within one geographical segment namely 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.

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

Year ended 31 December 2008

	PRC **RMB'000**	**Pakistan** **RMB'000**	**Others*** **RMB'000**	**Total** **RMB'000**
Segment revenue:				
Sales to external customers	**12,534**	**3,369**	**407**	**16,310**

Year ended 31 December 2007

	PRC RMB'000	Pakistan RMB'000	Others* RMB'000	Total RMB'000
Segment revenue:				
Sales to external customers	13,346	2,430	384	16,160

* Others included Indonesia and Hong Kong.

10. TRADE AND OTHER RECEIVABLES

	2008 RMB'000	2007 RMB'000
Trade receivables	**819**	10,038
Less: allowance for doubtful debts	**(726)**	(6,084)
	93	3,954
Amount due from the immediate parent company	**—**	2,000
Amount due from fellow subsidiaries	**1,267**	2,277
Amount due form a related company	**10**	10
Other receivables	**22**	400
Loans and receivables	**1,392**	8,641
Prepayments and deposits	**2,534**	2,339
	3,926	10,980

All of the trade and other receivables are expected to be recovered within one year.

a) Ageing analysis

As ageing analysis of trade receivables net of allowance for doubtful debts of RMB726,000 (2007: RMB6,084,000), as of the balance sheet date is as follows:

	2008 RMB'000	2007 RMB'000
Within 3 months	**85**	813
More than 3 months but less than 12 months	**8**	891
Over 12 months	**—**	2,250
	93	3,954

Trade receivables are due within 90 days from the date of billing.

10. TRADE AND OTHER RECEIVABLES (continued)

b) Impairment of trade receivables

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly.

Movements in the allowance for doubtful debts

	2008	2007
	RMB'000	RMB'000
At 1 January	**6,084**	9,504
Impairment loss recognised (note i)	**249**	—
Recovery of doubtful debts (note ii)	**(1,780)**	(2,015)
Uncollectible amounts written off (note iii)	**(3,827)**	(1,405)
At 31 December	**726**	6,084

Note:

i) As at 31 December 2008, trade receivables of the Group amounting to RMB249,000 (2007: Nil) were individually determined to be impaired and full provision had been made. These individually impaired receivables were outstanding for over 180 days as at the balance sheet date or were due from companies with financial difficulties.

ii) During the year, the Company entered into a contract with an independent third party for the collection of certain long-outstanding trade receivables. The third party succeeded in recovering these long-outstanding debts for the Company.

iii) RMB3,827,000 (2007: RMB1,405,000) of the trade receivables previously considered as impaired and provided for was written off in 2008. The amount represented the long-outstanding trade receivables which were not collectible with the assistance of the independent third party as mentioned in note (ii).

iv) The Group does not hold any collateral over these balances.

10. TRADE AND OTHER RECEIVABLES (continued)

c) Trade receivables that are not impaired

The ageing analysis of trade debtors that are neither individually nor collectively considered to be impaired are as follows:

	2008	2007
	RMB'000	RMB'000
Neither past due nor impaired	85	813
3 to 6 months past due	—	883
Over 12 months past due	—	2,250
	85	3,946

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

11. TRADE AND OTHER PAYABLES

	2008	2007
	RMB'000	RMB'000
Trade payables	**1,356**	1,402
Other payables	**8,099**	11,994
Amount due to fellow subsidiaries	**—**	158
Amount due to the immediate parent company	**15,076**	—
Financial liabilities measured at amortised cost	**24,531**	13,554

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

	2008	2007
	RMB'000	RMB'000
Within 3 months	**101**	311
4 to 6 months	**314**	341
7 to 12 months	**269**	292
Over 1 year	**672**	458
	1,356	1,402

MODIFICAION IN INDEPENDENT AUDITOR'S REPORT

The auditors' report on the consolidated financial statements for the year ended 31 December 2008 was modified in respect of material uncertainties relating to the going concern as follow:

"Without qualifying our opinion, we draw attention to note 1(b) to the financial statements concerning the adoption of the going concern basis on which the financial statements have been prepared. As further explained in that note, the financial statements of the Group have been prepared on a going concern basis, notwithstanding that the Group incurred a loss attributable to equity shareholders of the Company of approximately RMB30,595,000, net current liabilities of approximately RMB31,180,000 and net cash decrease in cash and cash equivalents of RMB34,877,000 during the year. In addition, as further disclosed in note 31(a) to the financial statements, as at 31 December 2008, the Group had contracted commitments in respect to future capital expenditure of approximately RMB20,220,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the ability of the Group and the Company to continue as a going concern."

REVIEW OF FINANCIAL INFORMATION

The Audit Committee, comprising all independent non-executive directors, has reviewed the Group's annual results for the year ended 31 December 2008.

The figures in respect of the preliminary announcement of the Group's result for the year ended 31 December 2008 have been agreed by the Group's auditors, CCIF CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by CCIF CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by CCIF CPA Limited on the preliminary announcement.

Management Discussion and Analysis

BUSINESS REVIEW

During the Year, the Group was principally engaged in the research and development of modern biological technology (the "R&D Business"), production and sale of cytokine therapeutic drugs and sale of vaccines for infectious diseases in the PRC. During the Year, the Group had suspended the production of subunit influenza vaccine and mainly produced the Core Products, namely rhIFNα2b for injection and rhIL-2 (125 Ser) for injection, and sold the Core Products and subunit influenza vaccine. The Core Products were mainly sold in the PRC and part of them were exported to the Southeast Asian markets.

Cytokines business

During the Year and the first two months of 2009, the Company focused its activities in the Cytokine Business, the R&D Business and the influenza vaccines business. The sales and profit margin of the Core Products for the above-mentioned periods declined and were not satisfactory. There was no significant growth in the annual sales income of the Core Products during the Year as compared with that in 2007. In the first two months of 2009, the sales income of the Core Products decreased by approximately 50% as compared with the corresponding period of the Year. The Board believes that the decrease in sales income and profit margin of the Core Products is mainly attributable to the following:-

(i) Change in environment of pharmaceutical market in the PRC

The market for interferon for injection is growing steadily in the PRC in recent years. Currently there are over twenty domestic manufacturers engaging in the production of such drug, resulting in a very competitive market. With the launch of a new pegylated interferon by several major international pharmaceutical manufacturers between 2003 and 2006, the sales and market share of ordinary injection interferon products (including rhIFNα2b for injection of the Company) have shrunk greatly in 2007.

(ii) Introduction of price reduction policies on drugs by the PRC government

Between 1998 and 2007, the National Development and Reform Commission ("NDRC") had successively reduced the highest retail price of several drugs (including the Core Products) through the introduction of a series of rules and regulations set out in this paragraph.

The "Circular of the NDRC on the Reduction of Retail Price of 22 Drugs including Cefuroxime"（《國家發展改革委關於降低頭孢呋辛等二十二種藥品零售價格的通知》）was promulgated on 18 September 2005 and the "Circular on the Further Rationalization of Prices for Drugs and the Medical Services Market"（《關於進一步整頓藥品和醫療服務市場價格秩序的通知》）was promulgated on 19 May 2006. Since the promulgation of such circulars, the highest retail price ceiling of the Company's rhIFNα2b for injection (one of the Core Products) set by the PRC government in 2006 (which is still applicable now) has dropped significantly by approximately 69% as compared with that in 1999 when such product was first launched in the market.

On 30 November 2006, the Guangdong Pricing Bureau promulgated the "Circular on the Announcement of the Highest Retail Price of Drugs including Cefetamet Pivoxil"(《關於公布頭孢他美酯等藥品最高零售價格的通知》). On 31 December 2006, the NDRC further promulgated the "Circular of the NDRC on the Highest Retail Price of 345 Drugs including Arginine"(《國家發展改革委關於精氨酸等345種藥品最高零售價格的通知》). Since the promulgation of these circulars, the highest retail price ceiling of the Company's rhIL-2 (125Ser) for injection (the Core Product) set by the PRC government in 2006 (which is still applicable now) has dropped significantly by approximately 60% as compared with that in 2002 when such product was first launched in the market.

(iii) Reduction in retail price and increase in production costs

The above price reduction policies on drugs of the PRC government have adversely affected the retail price and the profitability of the Core Products. During the Year, retail prices of the Core Products in the PRC decreased substantially by 50 % as compared with that in 2006, as a result of both such policies and keen market competition. Reducing selling price and increasing production costs (including costs for raw materials, labour, utilities and transportation) of the Core Products have resulted in significant decrease in the profit of the Core Products.

The GMP certificate for the Company's rhIL-2 (125Ser) for injection (one of the Core Products) expired on 23 December 2008. The amended Drugs GMP Certification, Examination and Assessment Standards (《藥品GMP認證檢查評定標準》) ("2008 GMP Certification Standards") became effective on 1 January 2008. The GMP certification standards under the 2008 GMP Certification Standards are more stringent than the original standards. In order to continue the production of rhIL-2 (125Ser) for injection, the Company has to apply for a new GMP certificate for its production line in accordance with the 2008 GMP Certification Standards. To do so, the Company has to upgrade and reform its current production line. On the other hand, although the GMP certificate for the Company's rhIFNα2b for injection (the other Core Product) will only expire on 29 December 2010, in order to improve the profitability of the Cytokines Business, the Board takes the view that it is imperative for the Company to upgrade its current production lines or establish new production lines in order to reduce production costs so as to enhance the market competitiveness of the Company's rhIFNα2b for injection and to comply with the 2008 GMP Certification Standards. The Board estimates that the investment in upgrading or constructing new production lines for these two Core Products will be substantial and it will take at least one year before the Company can obtain the new GMP certificates.

Given that (i) the performance of the Cytokines Business is unsatisfactory; (ii) substantial costs and time are required to increase its profitability; and (iii) at least 55 employees have to be retained (and therefore the costs necessary to maintain such employees) to operate the Cytokines Business, the Company ceased the operation of such business on 16 March 2009 with a view that the Company could quickly achieve its goals in the reduction of fixed costs and better allocation of resources for the Group's business restructuring and expansion plans. As a result of the cessation, 29 employees (out of 55 employees engaged in the Cytokines Business) were dismissed in 31 March 2009 in accordance with the requirements of the PRC Labour Contract Law, and 10 out of the remaining 26 employees will be re-deployed to the R&D Business and the rest of them will be transferred to other companies within the Neptunus Bio-engineering group.

INFLUENZA VACCINES BUSINESS

Establishment of the JV Company with GSK Pte

The influenza vaccines business is a key business to be developed by the Company. On 20 November 2008, the Company entered into the Cooperation Agreement for the establishment of the JV Company with GSK. The Company has satisfied most of the conditions precedent under the Cooperation Agreement, the Company is expected to sign the JV Contract with GSK Pte between May and June 2009 and to establish the JV Company between July and August 2009. Upon the establishment of the JV Company, it will be beneficially owned by the Company and GSK Pte as to 60% and 40% respectively. The Board of the Company believes that the JV Company will become the operating subsidiary of the Company for the development of the influenza vaccines business the JV Company can significantly increase its annual production capacity and produce high quality vaccines on a larger scale in a more cost effective way, so as to provide its products with a strong competitive advantage. With GSK's branding power in the industry, the Board expects to explore a more extensive network in overseas vaccine market. The Board believes that such global network will potentially fuel a significant revenue growth for the JV Company. The Board also believes that the Company's equity interests in the JV Company will bring profits to the Company and enhance improve the Company's image and position in the global bio-pharmaceutical industry.

The JV Contract provides that the term of the JV Company shall be ten years. The total investment of the JV Company shall be US$ 99,900,000 (approximately HK$774,000,000) and the registered capital of the JV Company shall be US$78,330,000 (approximately HK$607,000,000), of which US$47,000,000 (approximately HK$364,000,000, representing 60% of the equity interest in the JV Company) shall be contributed by the Company by way of the land use right of the parcel of land with a lot number of A607-0362 in Guangming New District and the buildings, plant, machines, equipment and intangible assets (including technology and proprietary rights in split influenza vaccine, subunit influenza vaccine and rabies vaccine; and US$31,330,000 (approximately HK$243,000,000, representing 40% of the equity interest in the JV Company) shall be contributed by GSK Pte in cash. The JV Company intends to make use of GSK's internationally advanced technology, quality management and operation systems and the large-scale production technology and adjuvant system technology (which are key manufacturing technologies for global first class vaccines) to develop and produce a series of influenza vaccines products, including split influenza vaccine, subunit influenza vaccine, improved influenza vaccine, adjuvanted influenza vaccine, 4-valent influenza vaccine and pre-pandemic flu vaccine and pandemic flu vaccines.

The JV Contract also provides that upon the first anniversary of the establishment date of the JV Company, GSK Pte shall purchase from the Company 9% of the equity interests in the JV Company for a consideration equivalent to 150% of the original value of such equity interests. On each subsequent anniversary of the establishment date of the JV Company, both of the JV parties shall discuss in good faith and agree on further increase of GSK Pte's equity interests in the JV Company by purchasing the equity interests held by the Company in the JV Company, provided however that, in case GSK Pte's equity interests are below fifty percent (50%) by the 5th anniversary of the establishment date, upon GSK Pte's request, the Company shall sell its equity interests to GSK Pte in such percentage as necessary for GSK Pte's equity interests in the JV Company to reach a minimum of fifty-one percent (51%) and a maximum of sixty percent (60%) of the registered capital.

RESEARCH AND DEVELOPMENT

New product development

Following the completion of the clinical research of rhIFNα2b effervescent tablet, the Company applied to the State Food & Drug Administration of China （中國國家食品藥品監督管理局）for new medicine certificate and obtained the approval for production and new medicine certificate for rhIFNα2b effervescent tablet during the Year. The project is currently at the stage of application for the GMP Certification.

Patent

On 30 April 2008, the Company obtained the authorization for the South African patent for the cream containing interferon liposome (patent no. 2006-06309).

On 15 August 2008, "a vaginal interferon effervescent tablet and its preparation method" of the Company was granted invention patent by the State Intellectual Property Office, and the related patent registration procedures and patent certificates are under process.

SALES AND MARKETING BUSINESS

During the Year, the Group achieved stable development of agency sales of the Core Products and sales volumes of high specification products of the Core Products did not record significant growth when compared with last year. In view of the changes in the domestic market environment and factors such as the pharmaceutical price reduction policy implemented by the PRC government, the Board expects that market prices of the Core Products may decline continuously. The Company intends to dispose of the Cytokines Business and the relevant asset and acquire pharmaceutical manufacturer specialising in generic drugs.

Since the production and sales of subunit influenza vaccine were far from satisfactory during the Year, the Company had suspended the production of such vaccine since January 2008 in order to reallocate the resources to the Group's new influenza vaccines production base in Baoan district of Shenzhen (the "Baoan production base") with a designed production capacity of 10 million doses. After the establishment of the JV Company between the Company and GSK Pte, the Group will continue to develop the influenza vaccines business through the JV Company.

Intention subsequent to the Year

Disposal of Cytokines Business and acquisition of Neptunus Fuyao

On 2 March 2009, the Company entered into a non-legally binding Letter of Intent ("Letter of Intent") with Neptunus Bio-engineering and Neptunus Pharmaceutical. Pursuant to the Letter of Intent, the parties intend to enter into the following transactions concurrently: (i) the Company intends to acquire and Neptunus Bio-engineering and Neptunus Pharmaceutical intend to sell to the Company the 75% and 5% equity interests held by them respectively in Neptunus Fuyao; (ii) the Company intends to sell and Neptunus Pharmaceutical intends to acquire the Cytokines Business and relevant assets owned by the Company. The Letter of Intent has no legal binding effect on the parties. The legal due diligence on Neptunus Fuyao and the Cytokines Business has been completed. The parties are now finalizing the financial due diligence on Neptunus Fuyao and the Cytokines Business and they intend to enter into a formal sale and purchase agreement between June and July 2009. Subject to the obtaining of approval from the shareholders, the Company intends to complete such sale and purchase agreement by the second half of 2009.

According to the PRC audited accounts (prepared in accordance with the PRC Accounting Standards for Business Enterprises) of Neptunus Fuyao for the year ended 31 December 2007, net profit of Neptunus Fuyao as at 31 December 2007 was approximately RMB21,313,600. The Board considers that the acquisition of Neptunus Fuyao, if materialised, will improve the financial conditions of the Company significantly. The Company will nominate majority directors and senior management personnel of Neptunus Fuyao, and will participate actively in the daily management and business operations of Neptunus Fuyao through those such directors and senior management personnel. The Board believes that Neptunus Fuyao will become the operating subsidiary of the Company for the development of generic drugs.

The Board would like to point out that the accounting principles adopted by the PRC audited accounts of Neptunus Fuyao were PRC accounting principles, which are different from the accounting principles stipulated in Chapter 7 of the GEM Listing Rules. Therefore, shareholders of the Company and potential investors must exercise caution if they rely on the results of Neptunus Fuyao contained in this announcement.

The Board confirms that as at the date of this announcement, no legal binding agreement in respect of the proposed transactions under the Letter of Intent has been executed and such proposed transactions may or may not be carried out and the shareholders and potential investors of the Company shall exercise caution when dealing in the H shares of the Company.

Expansion of the R&D Business

As from January 2009, the Company has been focusing on the R&D Business and the expansion of the R&D Business by providing research and development services to Neptunus Bio-engineering Group. After the cessation of the Cytokines Business, the R&D Business became the main source of revenue for the Company and generated a revenue of approximately RMB500,000 for the Company in the first quarter of 2009.

To achieve its expansion plans for the R&D Business, the Company is now carrying out the following works for its R&D Business: (i) renovation and upgrading works for the office and laboratory; and (ii) construction works for its production plant. As at the date of this announcement, 21 employees of the Company are engaged in the R&D Business and the Company will re-deploy 10 employees who were previously engaged in the Cytokines Business to the R&D Business in the coming months. Each R&D personnel of the Company has on average more than ten years' R&D experience in the pharmaceutical industry and four of them have a doctorate degree or senior technician qualification in pharmaceutical-related field.

The Company intends to enter into (i) a service agreement for the provision of services in the research and development of cytokines therapeutic drugs for a term of not less than five years to Neptunus Pharmaceutical in May 2009; and (ii) a service agreement for the provision of services in the research, development, animal testing, clinical trial and new drug's regulatory compliance and registration of various influenza vaccines for a term of not less than five years to the JV Company in July or August 2009. These agreements will be on normal commercial terms to be determined on an arm's length basis. The Company is now finalising the terms of these agreements with GSK Pte and Neptunus Pharmaceutical.

PROSPECTS

If the Company and GSK Pte can reach agreement on the establishment of the JV Company, the JV Company will be committed to the development of influenza vaccines business. With the combined experience, standing and expertise of the JV parties and the intangible assets provided by GSK, the JV Company can significantly increase its annual production capacity and produce high quality vaccines on a larger scale in a more cost effective way, so as to provide its products with a strong competitive advantage. With GSK's branding power in the industry, the Board expects to explore a more extensive network in overseas vaccine market. The Board believes that such global network will potentially fuel a significant revenue growth for the JV Company. The Board believes that the Company's equity interests in the JV Company will bring profits to the Company and enhance the Company's image and position in the global biological pharmaceutical industry.

The acquisition by the Company of the 80% equity interest in Neptunus Fuyao, if successful, will bring to the Group the operation qualification for the production and sales of various forms of medicine such as high-volume and low-volume injections, tablets, capsules, granules and powder. The Board believes this will contribute stable revenue to the Group in the future and lay a solid foundation for the Group's continuous operation and expansion.

If the Company is able to sign the above agreements with the JV Company and Neptunus Pharmaceutical, the Board estimates that these agreements will generate revenue for the Company of approximately RMB4,000,000 in 2009 and approximately RMB8,000,000 to RMB10,000,000 of revenue per year over the next five years. The Board therefore takes the view that the R&D Business will provide stable revenue for the Company in the coming few years.

FINANCIAL REVIEW

Turnover of the Group amounted to approximately RMB16,310,000 for the Year, which approximated the turnover of approximately RMB 16,160,000 of the previous year. Turnover for the Year was mainly derived from the Core Products, namely rhIFNα2b for injection and rhIL-2(125Ser) for injection. rhIFNα2b for injection remained the major source of turnover. During the Year, turnover from domestic sales and exports amounted to approximately RMB12,534,000 and RMB3,776,000 respectively, accounting for 76.8% and 23.2% of the total turnover respectively. Export turnover increased by 34.2% compared to that of the previous year, indicating the Group's policy adopted in 2006 to set up a subsidiary in Hong Kong to conduct international business was bringing revenues to the Company gradually.

During the Year, the gross profit and the gross margin of the Group were approximately RMB8,833,000 and 54.2% respectively, representing a decrease of approximately RMB2,224,000 and 14.2% as compared with the corresponding period of the previous year. The decrease in gross profit and gross margin was due to the increase in the production costs and the decrease in selling price of the Core Products.

Selling and distribution expenses of the Group amounted to approximately RMB3,242,000 during the Year, accounting for approximately 19.9% of the turnover, and representing a sharp decline of approximately RMB655,000 or approximately 16.8%, from approximately RMB3,897,000 of the previous year. The major reasons for the decline in expenses included: (i) the Group continued to optimize its sales team under the marketing model focusing on agency sales and reduced sales staff to save salary and benefit expenses; and (ii) the Group's management on sales and distribution expenses achieved satisfactory results during the Year.

Administrative expenses of the Group amounted to approximately RMB13,047,000 for the Year, accounting for approximately 80% of the turnover, and representing a sharp decrease of approximately RMB4,041,000 or 23.6% from approximately RMB17,088,000 of the previous year. The major reasons for the decrease in expenses included: (i) the Group adopted a more detailed accounts classification method by which part of administrative expenses was transferred to Construction-in-Progress (CIP), and as a result the administrative expenses decreased; and (ii) more stringent control over administrative expenses was implemented by the Group, contributing to the decrease of administrative expenses.

Finance costs of the Group amounted to approximately RMB5,831,000 for the Year, representing an increase of approximately RMB3,290,000 or approximately 129.5% from RMB2,541,000 of the previous year. The increase in expenses was mainly due to (i) the increase in interest rate for loans in 2008 as compared with that in 2007; and (ii) that loan interest has not been capitalized since October 2008.

Other expenses of the Group amounted to approximately RMB20,234,000 for the Year, increasing by approximately RMB7,964,000 or approximately 64.9% compared with approximately RMB12,270,000 of the previous year. The increase was mainly because (i) the Group increased investment in Department of R&D and the research and development materials increased in the Year; and (ii) the increased depreciation of intangible assets and inventories.

Total loss before taxation of the Group amounted to approximately RMB30,871,000 for the Year, representing an increase of approximately RMB9,479,000 from the loss before taxation of approximately RMB21,392,000 of the previous year. The main reasons for increase of loss were: (i) increase in production cost and reduction in the selling price of the Core Products, which resulted in decline of gross profit; and (ii) further investment in products under research and development by the Group.

LIQUIDITY AND FINANCIAL RESOURCES

The Group usually finances its operating and investing activities with its internal financial resources and bank loans. The Group's transactions are mainly denominated in Renminbi and the Group reviews its working capital and finance requirements on a regular basis.

Borrowings and banking facilities

As at 31 December 2008, the Group's bank and cash balance was approximately RMB3,773,000, while it was approximately RMB38,650,000 as at 31 December 2007. As at 31 December 2008, the Group's bank facilities debt was RMB120,000,000, all of which was long-term bank borrowings. The Group's controlling shareholder's entrusted loans obtained through the entrusted arrangement with banks were 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, the Company's controlling shareholder Neptunus Bio-engineering, and Mr. Chai Xiang Dong, management shareholder of the Company, to provide guarantee and securities (including without limitation the pledge of the domestic shares of the Company currently held by them to CDB) to secure the CDB Loan. The Company would apply the revenue obtained from the Loan Project to repay the CDB Loan with CDB by instalments. During the Year, the Company repaid principal amount of RMB7,000,000 and interest of RMB 9,876,000 to CDB in accordance with the repayment schedule stipulated in the CDB Loan Agreement.

Shareholder's entrusted loans

Shareholder's entrusted loans obtained by the Company from Neptunus Bio-engineering during the Year amounted to approximately RMB 78,000,000.

The Company obtained a shareholder's entrusted loan of RMB9,000,000 from Neptunus Bio-engineering through an entrusted arrangement with a bank. This shareholder's entrusted loan is unsecured, bears an annual interest of 5% and is repayable on 5 April 2009. However, Neptunus Bio-engineering had undertaken to the Company that it would not demand repayment of the abovementioned shareholder's 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 its business objectives as set out in the prospectus published by the Company on 29 August 2005 in relation to the listing of its H shares on GEM (the "Prospectus"); and (2) each of the independent non-executive directors was 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, and the Company would make an announcement in respect of the decision of the independent non-executive directors made under (2); and (3) the Company had a positive cash flow and had retained profits in the relevant financial year.

The Company obtained another shareholder's entrusted loan of RMB39,000,000 from Neptunus Bio-engineering through an entrusted arrangement with a bank. This shareholder's entrusted loan is unsecured, bears an annual interest of 5% and is repayable on 5 April 2009. However, Neptunus Bio-engineering had undertaken that the repayment date of this entrusted loan be postponed to 5 April 2010 or the 15th working day after the completion of the issue of new H shares by the Company (whichever is earlier).

The Company also obtained a shareholder's entrusted loan of RMB30,000,000 from Neptunus Bio-engineering through an entrusted arrangement with a bank on 26 March 2008. This shareholder's entrusted loan is unsecured, bears an annual interest of 7.47% and is repayable on 26 March 2009 or 15 working days after the completion of the issue of additional new H Shares by the Company (whichever is earlier). Neptunus Bio-engineering also had undertaken not to require the repayment of entrusted loan until 26 March 2010 or the 15th working day after the completion of the issue of new H shares by the Company (whichever is earlier).

On 18 March 2008, Neptunus Bio-engineering, the controlling shareholder of the Company, undertook to the Company that, if the Company during the Year had no sufficient working capital to satisfy its current needs, Neptunus Bioengineering would provide suitable financial aids to satisfy the Company's continued operation capabilities during the Year. During the Year, Neptunus Bioengineering provided non-interest-bearing financial assistance to the Company in a total amount of approximately RMB 9,680,000.

CDB LOAN AGREEMENT AND 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 for the CDB Loan and to execute a Guarantee Agreement in favour of CDB. Neptunus Bio-engineering has 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, during the term of the CDB Loan, such Guarantee Agreement and Agreement on Pledge of Shares shall remain valid and that Neptunus Bio-engineering will not be in breach of any provision of the CDB Loan Agreement and that regarding the financial standing and the pledged property of Neptunus Bio-engineering, no event that would prejudice the interests of CDB occurs. In addition, if Neptunus Bioengineering'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 set by CDB and valid security agreements should be entered into between the security providers (including but not limited 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 an undertaking letter regarding the restriction on the dividend distribution 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 as 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 in 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 make up for the CDB Loan. The Company received a notice from Neptunus Bio-engineering regarding the abovementioned pledge and 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.

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 shareholder's entrusted loans to the Company amount to financial assistances to the Company by a connected person, the financial assistances have been entered into on normal commercial terms (or better terms to the Company) and the Company has not provided any security over its assets to Neptunus Bio-engineering. Consequently, the above financial assistances constitute exempt connected transactions under Rule 20.65(4) of the GEM Listing Rules and are exempt from reporting, announcement and independent shareholders´ approval requirements.

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 in 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 make up for the CDB Loan. The Company received a notice from Mr. Chai Xiang Dong regarding the aforesaid pledge of shares and 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 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 procedure 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 a provision of financial assistance to the Company by a connected person, the financial assistance has been entered into on normal commercial terms (or better terms to the Company) and the Company has not provided any security over its assets to Mr Chai. Consequently, the above financial assistance constitutes an exempt connected transaction under Rule 20.65(4) of the GEM Listing Rules and is exempt from reporting, announcement and independent shareholders´ approval requirements.

AMENDMENT AGREEMENT ENTERED INTO AFTER THE TERM OF THE CDB LOAN AGREEMENT

In order to obtain CDB's approval for the release of charges over the land use rights, properties, plants and equipments charged in favor of CDB, on 24 February 2009, the Company, Neptunus Bio-engineering and its controlling shareholder Shenzhen Neptunus Group Company Limited ("Neptunus Group") and Mr. Chai Xiang Dong entered into the Amendment Agreement for the CDB Loan Agreement (the "Amendment Agreement") with CDB. As a result of the execution of the Amendment Agreement, the Company shall open an account with CDB (the "Account") and shall deposit all future revenue generated by the Company, including but not limited to shareholder's dividends and distribution received from the JV Company (together, the "Shareholder's Income") and funds raised from any placing to be conducted by the Company in the future (the "Placing") to the Account. If after completion of the Placing the principal amount of the Loan and accrued interests (together, the "Outstanding Loan") have not been fully repaid, all the funds raised by the Company from the Placing shall be applied towards repayment of the Outstanding Loan. The Company shall apply (i) all the Shareholder's Income received from the JV Company; and (ii) the consideration received from GSK Pte for the transfer of the equity interest held by the Company in the JV Company; pursuant to the terms of the JV Contract towards repayment of the Outstanding Loan. All the revenue so deposited in the Account by the Company shall be subject to the supervision of CDB and shall be fully applied towards repayment of the Outstanding Loan. The Company shall authorise CDB to deduct the amount representing the Outstanding Loan directly from the Account until the Outstanding Loan has been fully repaid. The Amendment Agreement also provides that if the joint venture between the Company and GSK Pte turned out to be a failure, the Company shall continue to use the land use rights, properties and equipments legally owned by it to provide the guarantee and security in favour of CDB.

NEPTUNUS GROUP GUARANTEE AGREEMENT

The Amendment Agreement also imposes specific performance obligations on Neptunus Group as conditions precedent for the Company to obtain CDB's approval for the release of charges. Pursuant to the Amendment Agreement, Neptunus Group entered into the Neptunus Group Guarantee Agreement in favour of CDB on 24 February 2009, pursuant to which Neptunus Group has agreed, among other things, (i) to provide a guarantee in favour of CDB to guarantee the repayment of all sums owing by the Company under the Loan Agreement and (ii) to ensure that the Outstanding Loan can be fully repaid in a punctual manner irrespective of whether or not the JV Company under the JV Contract is established.

Although the transaction contemplated under the Neptunus Group Guarantee Agreement amounts to the provision of financial assistance to the Company by a connected person, the financial assistance has been entered into on normal commercial terms (or better terms to the Company) and the Company has not provided any security over its assets to Neptunus Group. Consequently, the transaction contemplated under the Neptunus Group Guarantee Agreement constitutes an exempt connected transaction under Rule 20.65(4) of the GEM Listing Rules and is exempt from reporting, announcement and independent shareholders' approval requirements.

GEARING RATIO

As at 31 December 2008, the gearing ratio of the Group was approximately 73% (2007: 62%) and was calculated by a division of the net debt (total borrowings less cash and cash equivalents) of approximately RMB194,227,000 (2007: RMB166,350,000) by total capital of approximately RMB265,089,000 (2007: RMB267,807,000).

NET CURRENT ASSETS

As at 31 December 2008, the Group had net current liabilities of approximately RMB31,180,000. Current assets comprised cash and cash equivalents of approximately RMB3,773,000, trade receivables of approximately RMB93,000, amounts due from related parties of approximately RMB1,277,000, inventories of approximately RMB1,994,000, prepayments, deposits and other receivables of approximately RMB2,556,000. Current liabilities comprised trade payables of approximately RMB1,356,000, interest-bearing bank borrowings to be repaid within one year of approximately RMB14,000,000, taxes payable of approximately RMB2,342,000, receipts in advance and other payables of approximately RMB23,175,000. The net current assets of the Group were approximately RMB9,064,000 as at 31 December 2007. The decrease of the net current assets of the Group in the Year was mainly due to the fact that (1) the Group repaid bank loan principal and interest of approximately RMB16,876,000 in the Year; (2) as at 31 December 2008, certain long-term bank borrowings had been converted to bank borrowings to be repaid within one year; and (3) the Group continued to pay for the cost of construction of the Baoan production base.

PLEDGE OF ASSETS

Pursuant to the Pledge Agreement entered into between the Company and CDB in 2006, the Company pledged all its lawfully obtained land use rights, buildings, plant and equipment located at Baoan district of Shenzhen to CDB and the relevant pledge procedures was completed in January 2009.

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 CDB. The revenue will be subject to supervision by CDB.

FOREIGN CURRENCY RISK

During the Year, approximately 23.1% of the Group operating revenue was denominated in US dollar and the remainder was denominated in Renminbi. The Group major sales costs and capital expenditure were denominated in Renminbi. The Board believes that although the exchange rate between US dollar and Renminbi was subject to certain fluctuations during the Year, the foreign currency risk facing the Group is limited. Therefore, the Group has not adopted any financial instrument for hedging purposes.

SEGMENT INFORMATION

Segment revenue and segment results by business and region of the Group for the Year are set out in note 9 to the financial statements.

CAPITAL COMMITMENTS

In order to fulfill the business objectives as stated in the Prospectus, the Company needs to construct new production base and enhance production facilities. As at 31 December 2008, the Company has capital commitments of approximately RMB20,220,000, of which approximately RMB5,633,000 is for the contract sum under contracts for the construction of the production base and equipment purchase. The Board believes that such capital expenditure can be paid by the funds from the Company's bank borrowings.

CONTINGENT LIABILITY

As at 31 December 2008, neither the Group nor the Company had any significant contingent liability.

MAJOR INVESTMENT PLANS

During the Year, other than developing the businesses disclosed in the Prospectus and establishing a joint venture company with GSK Pte as disclosed above, the Company did not make any other major investment.

HUMAN RESOURCES

As at 31 December 2008, the Company employed a total of 95 staff (2007: 242). During the Year, the staff costs including directors' remuneration which amounted to approximately RMB14,132,000 (2007: approximately RMB14,038,000). The salaries and fringe benefits of the Company's employees remained at competitive The employees' incentives were reviewed and determined annually pursuant to the remuneration and bonus policies of the Company based on the performance of the employees. The Company also provided various other benefits to its employees.

As at 31 December 2008, the number of employees of the Company categorized by various functions was set out as follows:

	As at 31 December	
	2008	2007
Research and development	15	19
Production	41	114
Quality control	48	31
Sales and marketing	13	29
Administration	78	49
Total	195	242

Compared with 31 December 2007, the number of employees in the sales and marketing division and the production division of the Company decreased by 16 and 73 respectively, whereas the number of employees in the administration division and the quality control division increased by 29 and 17 respectively in the Year. As the Company had completed transforming its sales model during the Year, most of the employees in branch offices were converted to the Company's product agents, but so far no labour relations involved would give rise to any legal disputes. During the Year, the Company's influenza vaccines manufacturing facilities with a designed annual capacity of 1 million doses located in Nanshan district was dormant, resulting in a significant decrease in the number of production staff. Meanwhile, the Company increased the number of employees significantly in the administration and quality control divisions of the Baoan production base with a view to boost the construction of the Baoan production base with reinforced human power.

The Company monitored closely the remuneration and fringe benefits of the employees and rewarded employees in accordance with the Company's business performance. In addition, training and development opportunities for the employees were also provided by the Company.

Report of the Directors

The Board is pleased to present the report of the Board and the consolidated financial statements of the Group for the year ended 31 December 2008.

PRINCIPAL ACTIVITIES

The Company is a high and new technology enterprise incorporated in the PRC. During the Year, the Group was principally engaged in the research and development of modern biological technology, production and sale of cytokine therapeutic drugs and sale of vaccines for infectious diseases in the PRC.

DIVIDENDS

The Directors do not recommend the distribution of any dividends for the Year (2007: Nil).

DISTRIBUTABLE RESERVES

At 31 December 2008, the Company had no distributable reserves, while its accumulated loss, calculated in accordance with the Company's Articles of Association and relevant rules and regulations, amounted to RMB69,058,000.

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF THE LISTED SHARES OF THE COMPANY

The H shares of the Company were listed on GEM since 12 September 2005. Save for the placing of shares on GEM board, the Company and its subsidiary did not purchase, sell or redeem any of the Company's listed shares during the Year. The Company and its subsidiary also did not redeem, purchase or cancel any of their redeemable securities.

SHARE OPTION SCHEME, CONVERTIBLE SECURITIES AND WARRANTS

Up to 31 December 2008, the Company and its subsidiaries have not adopted any share option scheme and have not granted any option, convertible securities, warrants or other similar rights.

DIRECTORS' AND SUPERVISORS' SHARE OPTIONS, WARRANTS OR CONVERTIBLE BONDS

At any time during the Year, none of the Directors or supervisors of the Company or their respective spouse or minor children were granted any share options, warrants or convertible bonds of the Company, its subsidiaries or associated corporation.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the Year, the Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the "required standard of dealings" as 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 year and the Company is not aware of any violation by the Directors on the "required standard of dealings" and the Company's internal code of conduct regarding securities transactions by the Directors.

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 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 as or similar to that of the products of the Company) which may constitute direct or indirect competition to the business operated by the Company from time to time; and

(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, at a time when the Non-Competition Undertakings are subsisting, whenever Neptunus Bio-engineering or any its associates enters into any negotiations, within or outside the PRC, in relation to any new investment projects which may compete with the existing and future business of the Company, the Company will also be entitled to the preferential rights to participate in the investments in such new investment projects.

GOING CONCERN

When preparing for the financial report, the Board has considered the impact to the Group's existing and anticipated future liquidity, and whether the Group is able to operate business which can earn profits and bring positive cashflow both at present and in the long run.

In order to consolidate the Group's capital basis and improve the Group's financial situation, liquidity and cashflow in the near future for the Group's going concern, the Board has adopted the following measures:

(a) The Company is actively considering a placing of H shares.

(b) On 2 March 2009, the Company, Neptunus Bio-engineering and Neptunus Pharmaceutical entered into a Letter of Intent in relation to the acquisition by the Company of the 75% and 5% equity interests in Neptunus Fuyao held respectively by Neptunus Bio-engineering and Neptunus Pharmaceutical. If formal transactions are agreed by the parties, it will bring additional cash inflow and profits to the Company.

(c) On 2 December 2008, Neptunus Bio-engineering, the Company's parent company, undertook to the Company that it would provide the Company with suitable financial assistance of up to RMB 30,000,000 to enable the Company's going concern in 2009 if the Company's working capital is not sufficient to meet its current need.

(d) During the Year, the Company entered into the Cooperation Agreement with GSK for the purpose of introducing GSK's world leading manufacturing technology of influenza vaccines, adjuvant system and quality management system to develop more influenza vaccines products. Currently, the prime business objective of the Group is to procure the signing of the JV Contract and the establishment of the JV Company between the Company and GSK Pte as soon as possible. The establishment of the JV company will bring additional profits and cash inflow recourses to the Company in the long term.

(e) On 2 December 2008, Neptunus Bio-engineering undertook to the Company that it would provide the Company with a new entrusted loan amounted to RMB60,000,000 to support the cooperation between the Company and GSK. The length of maturity of this entrusted loan would be one year at least or no earlier than the date of the 15th working day after completion of the H shares placement (whichever is earlier).

(f) On 15 April 2009, a Consolidated Credit Facilities Agreement(《綜合授信額度合同》)was entered into between Neptunus Bio-engineering and Longgang Branch of Shenzhen Development Bank Company Limited ("SDB"), and a Maximum Amount of Pledge Guarantee Agreement (《最高額抵押擔保合同》) was entered into among Neptunus Bio-engineering and Neptunus Pharmaceutical and SDB, under which Neptunus Bio-engineering and Neptunus Pharmaceutical provided guarantee for the pledges with their self-owned properties. SDB granted consolidated credit facilities of RMB40 million to Neptunus Bio-engineering, and Neptunus Bio-engineering had transferred RMB30 million of the credit facilities to the Company, the credit facilities will expire by 2010. After receiving such credit facilities, the Company is in the process of application to SDB for a consolidated credit loan of RMB30 million for a term of one year and the relevant procedures are being pursued. The lending interest rate of such loan is determined by referring to the benchmark lending interest rate of similar loan category of the People's Bank of China. The Company has not pledged any assets of the Company to SDB or Neptunus Bio-engineering or Neptunus Pharmaceutical for the loan, and the above financial assistance was entered into on normal commercial terms (or better terms to the Company).

SUFFICIENCY OF PUBLIC FLOAT

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

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 year, the Company has complied with the requirements under the Code on Corporate Governance Practice set out in Appendix 15 to the GEM Listing Rules.

AUDITORS

The financial statements were audited by CCIF CPA Limited, Certified Public Accountants, who will retire at the conclusion of the forthcoming annual general meeting and being eligible, offer themselves for re-appointment. A resolution for the re-appointment of CCIF CPA Limited as auditors of the Company is to be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD
Zhang Si Min
Chairman

Shenzhen, the PRC

26 April 2009

As at the date of this announcement, the executive directors of the Company are Mr. Zhang Si Min and Mr. Chai Xiang Dong; the non-executive directors of the Company are Mr. Ren De Quan and Ms. Yu Lin; and the independent non-executive directors of the Company are Mr. Lu Sun, Mr. Yick Wing Fat, Simon and Mr. Poon Ka Yeung.

This announcement will remain on the "Latest Company Announcements" page of the GEM website at http://www.hkgem.com for at least 7 days from its date of publication and on the website of the Company at www.interlong.com.

* *For identification purpose only*