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 2009

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

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

This announcement, for which the directors (the "Directors") of Shenzhen Neptunus Interlong Bio-technique Company Limited (the "Company") collectively and individually accept full 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,

During the year ended 31 December 2009 (the "Year"), the Company and its subsidiary, Ascendent Bio-Technology Company Limited and its jointly controlled entity Shenzhen GSK-Neptunus Biologicals Co., Ltd. ("GSK-Neptunus") (collectively the "Group") carried out business reorganization and expansion plans for new businesses. The Company established a joint venture company, GSK-Neptunus, with international renowned pharmaceutical company, GlaxoSmithKline Pte Ltd ("GSK") to jointly develop the influenza vaccines business and the Company transformed from a cytokines therapeutic drugs production company to a company specialized in research and development ("R&D") business.

The Company's original cytokines business ("Cytokines Business") which includes the production and sales of recombinant human interferon α 2b for injection ("rhIFN α 2b for injection") and recombinant human interleukin-2 for injection (125Ser) ("rhIL-2 (125Ser) for injection") was underperformed in recent years. Thus the Company suspended the operation of its Cytokines Business on 16 March 2009. The Company plans to either (i) dispose of its Cytokines Business; or (ii) further develop its Cytokines Business by identifying potential partners to jointly improve or increase its cytokines products.

The influenza vaccines business is a key business to be developed by the Group. GSK-Neptunus, jointly formed by the Company with GSK, was established on 6 August 2009 and beneficially held as to 60% and 40% by the Company and GSK respectively. GSK-Neptunus adopts GSK's production and quality management system and product quality standards for influenza vaccines which are leading in the global influenza vaccine field. GSK-Neptunus currently plans to develop and produce a series of influenza vaccines products, including but not limited to split influenza vaccine, improved influenza vaccine, adjuvanted influenza vaccine, 4-valent influenza vaccine and pre-pandemic flu vaccine and pandemic flu vaccines. Development of the influenza vaccine business of GSK-Neptunus will provide positive support for the Group's operations.

The Company also focuses on the R&D business and provides R&D services to Shenzhen Neptunus Pharmaceutical Company Limited ("Neptunus Pharmaceutical"), a subsidiary of Shenzhen Neptunus Bio-engineering Co., Ltd. ("Neptunus Bio-engineering"), and GSK-Neptunus. The Company is currently providing R&D services for the recombinant human thymosin α 1 products of Neptunus Pharmaceutical and the H1N1 influenza vaccine products of GSK-Neptunus.

The Company is in the process of preparing the placement of new H shares, pending for the second round inspection by China Securities Regulatory Commission. The Company will actively facilitate the placing of H shares.

The Board believes the business restructuring and expansion plans of the Group will actively propel the development of the business operation 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 sraffs 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 2009 together with the comparative figures for the previous year as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2009

	Note	2009 RMB'000	2008 RMB'000
TURNOVER	3,9	**3,696**	16,310
COST OF SALES		**(2,719)**	(7,477)
GROSS PROFIT		**977**	8,833
OTHER REVENUE	4	**947**	2,650
OTHER NET INCOME	4	**6,109**	—
Selling and distribution expenses		**(1,157)**	(3,242)
Administrative expenses		**(25,166)**	(13,047)
Other operating expenses		**(7,523)**	(20,234)
LOSS FROM OPERATIONS		**(25,813)**	(25,040)
Finance costs	5(a)	**(11,663)**	(5,831)
LOSS BEFORE TAXATION	5	**(37,476)**	(30,871)
Income tax	6(a)	**—**	276
LOSS FOR THE YEAR		**(37,476)**	(30,595)
Attributable to:			
Owners of the Company		**(37,476)**	(30,595)
Loss per share			
Basic	8	**RMB(3.96)cents**	RMB(3.23)cents
Diluted	8	**RMB(3.96)cents**	RMB(3.23)cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

	2009	2008
	RMB'000	RMB'000
Loss for the year	**(37,476)**	(30,595)
Other comprehensive income for the year		
Exchange differences on translation of:		
- financial statements of a jointly controlled entity	**(35)**	—
Total other comprehensive income for the year, net of tax	**(35)**	—
Total comprehensive income for the year	**(37,511)**	(30,595)
Attributable to:		
Owners of the company	**(37,511)**	(30,595)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2009

	Note	**2009**	2008
		RMB'000	RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**185,044**	256,978
Interest in leasehold land held for own use under operating leases		**22,986**	8,434
Intangible assets		**79**	23,297
Deposit for acquisition of property, plant and equipment		**5,707**	—
Deferred tax assets		**726**	726
		214,542	289,435
CURRENT ASSETS			
Inventories		**117**	1,994
Trade and other receivables	10	**73,406**	3,926
Cash and cash equivalents		**55,361**	3,773
		128,884	9,693
CURRENT LIABILITIES			
Trade and other payables	11	**87,914**	24,531
Interest-bearing bank borrowings		**50,000**	14,000
Tax payable		**2,342**	2,342
		(140,256)	(40,873)
NET CURRENT LIABILITIES		**(11,372)**	(31,180)
TOTAL ASSETS LESS CURRENT LIABILITIES		**203,170**	258,255
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		**86,000**	106,000
Entrusted loans from the immediate parent company		**78,000**	78,000
Deferred revenue		**5,819**	3,393
		(169,819)	(187,393)
NET ASSETS		**33,351**	70,862
CAPITAL AND RESERVES			
Share capital		**94,667**	94,667
Reserves		**(61,316)**	(23,805)
TOTAL EQUITY		**33,351**	70,862

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

As at 31 December 2009

	Attributable to owners of the Company					
	Share capital RMB'000	Share premium RMB'000	Statutory reserve fund RMB'000	Exchange reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2008	94,667	41,923	3,330	—	(38,463)	101,457
Comprehensive income						
Loss for the year	—	—	—	—	(30,595)	(30,595)
Total comprehensive income for the year	—	—	—	—	(30,595)	(30,595)
At 31 December 2008 and 1 January 2009	94,667	41,923	3,330	—	(69,058)	70,862
Comprehensive income						
Loss for the year	—	—	—	—	(37,476)	(37,476)
Other comprehensive income						
Exchange difference on translation of financial statements of a jointly controlled entity	—	—	—	(35)	—	(35)
Total comprehensive income for the year	—	—	—	(35)	(37,476)	(37,511)
At 31 December 2009	**94,667**	**41,923**	**3,330**	**(35)**	**(106,534)**	**33,351**

The notes on pages 7 to 25 form part of these financial statements.

Notes to the Financial Statements

For the year ended 31 December 2009

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. A summary of the significant accounting policies adopted by the Company, its subsidiary and its jointly controlled entity is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 2 provides information on any changes in accounting policies resulting from 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 owners of the Company of approximately RMB37,476,000 (2008: approximately RMB30,595,000) and had net current liabilities of approximately RMB11,372,000 (2008: net current liabilities of approximately RMB31,180,000) as at the year end date. In addition, as at 31 December 2009, the Group has contracted commitments for future capital expenditure of approximately RMB47,298,000 (2008: RMB20,220,000).

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 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)

Financial support by the immediate parent company

The immediate parent company of the Group agreed to provide the following credit facilities to the Group:

i) 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 Sub-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 of the Company and SDB, under which the immediate parent company and the fellow subsidiary provided guarantee and pledged their respective properties as security for the credit facilities. SDB granted a credit facilities of RMB40,000,000 to the immediate parent company, and the immediate parent company transferred RMB30,000,000 of the credit facilities for the use of the Company. The Company drew down a short term loan of RMB30,000,000 from SDB in June 2009. The Company has not pledged any of its assets to SDB, the immediate parent company or the fellow subsidiary as security for the short term loan. On 2 March 2010, the immediate parent company agreed to extend the term of the Consolidated Credit Facilities Agreement for at least one year or no earlier than the date of the 15th working day after the completion of the Group's fund raising, if any, to be made in future (whichever is the earlier).

ii) In addition to (i) above, the immediate parent company indicated its intention, to provide further stand by facilities of RMB30,000,000 to the Group when required. In March 2010, the Company drew down RMB2,000,000 from the facilities.

iii) The existing three entrusted loans with a total amount of RMB78,000,000 (2008: RMB78,000,000) was outstanding as at end of the reporting period. On 18 March 2010, the repayment dates of the entrusted loan in the amount of RMB48,000,000 and RMB30,000,000 were extended to 5 April 2011 and 26 March 2011 respectively.

Government grant for research and development

In January 2010, the Company received a letter from Development and Reform Commission of Shenzhen Municipality ("深圳市發展和改革委員會"). Due to the successful introduction of GSK project, the Development and Reform Commission of Shenzhen Municipality agreed to grant a RMB18,000,000 subsidy to the Company for research and development. The subsidy is not required to be repaid to Development and Reform Commission of Shenzhen Municipality.

Partial disposal of equity interest in a jointly controlled entity, GSK-Neptunus

According to the joint venture contract, upon the first anniversary of the establishment date (i.e. 6 August 2010), GSK shall purchase and the Company shall sell a portion of the GSK-Neptunus' equity interest, which shall account for 9% of the registered capital of the GSK-Neptunus at a consideration equal to 150% of the original value of the GSK-Neptunus' equity interest. Based on the original value of the GSK-Neptunus' equity interest as at 31 December 2009, the estimated value of the 9% of the registered capital of the GSK-Neptunus is approximately RMB72,000,000.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Basis of preparation of the financial statements (continued)

Enhancement of the profitability of the Company

The Company is looking for potential partners for cooperation to produce products with shorter production cycle with a view that the Company can generate more cashflow in a shorter period and enhance the profitability of the Company. The Company is also working on plan to improve the sales and marketing strategy in order to expand the customer base and increase the revenue from providing R&D services to other corporations.

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 2009 comprise the Company and its subsidiary and the Group's interest in a jointly controlled entity.

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 all amounts are rounded to the nearest thousand except where otherwise indicated.

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 amounts 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")

The Group has adopted the following new and revised Standards, Amendments and Interpretations ("new and revised HKFRSs") that are first effective for the current accounting period.

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised 2007)	Borrowing Costs
HKFRS 1 and HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting conditions and cancellations
HKFRS 7 (Amendment)	Improving disclosures about financial instruments
HKFRS 8	Operating segments
HKFRSs (Amendments)	Improvement to HKFRSs issued in 2008, except for the amendments to HKFRS 5 which is effective for annual periods beginning or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to amendment to paragraph 80 of HKAS39
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HK(IFRIC) - Int 9 & HKAS39 (Amendments)	Embedded Derivatives
HK(IFRIC) - Int 13	Customer Loyalty Programmes
HK(IFRIC) - Int 15	Agreements for the construction of real estate
HK(IFRIC) - Int 16	Hedges of a net investment in a foreign operation
HK(IFRIC) - Int 18	Transfers of assets from customers

Except as described below, the adoption of the new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

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

The amendments to HKAS 23 and HKFRS 2 and Interpretations HK(IFRIC) 15 and HK(IFRIC) 16 have had no material impact on the Group's financial statements as the amendments and interpretations were either irrelevant or were consistent with policies already adopted by the Group. The impact of the remainder of these developments is as follows:

- HKFRS 8 requires segment disclosure to be based on the way that the Group's chief operating decision maker regards and manages the Group, with the amounts reported for each reportable segment being the measures reported to the Group's chief operating decision maker for the purposes of assessing segment performance and making decisions about operating matters. This contrasts with the presentation of segment information in prior years which was based on a disaggregation of the Group's financial statements into segments based on related products and services and on geographical areas. The adoption of HKFRS 8 has resulted in the presentation of segment information in a manner that is more consistent with internal reporting provided to the chief operating decision maker, and has resulted in additional reportable segments being identified and presented (see note 9). Corresponding amounts have been provided on a basis consistent with the revised segment information.

- As a result of the adoption of HKAS 1 (revised 2007), details of changes in equity during the period arising from transactions with the owners in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expense are presented in the consolidated income statement, if they are recognised as part of profit or loss for the period, or otherwise in a new primary statement, the consolidated statement of comprehensive income. Corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.

- As a result of the adoption of the amendments to HKFRS 7, the financial statements include expanded disclosures about the fair value measurement of the Group's financial instruments, categorising these fair value measurements into a three-level fair value hierarchy according to the extent to which they are based on observable market data. The Group has taken advantage of the transitional provisions set out in the amendments to HKFRS 7, under which comparative information for the newly required disclosures about the fair value measurements of financial instruments has not been provided.

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

- The "Improvements to HKFRSs (2008)" comprise a number of amendments to a range of HKFRSs. Of these, the following two amendments have resulted in changes to the Group's accounting policies:

  — As a result of amendments to HKFAS 28, Investments in associates, impairment losses recognised in respect of the associates and jointly controlled entities carried under the equity method are no longer allocated to the goodwill inherent in that carrying value. As a result, when there has been a favourable change in the estimates used to determine the recoverable amount, the impairment loss will be reversed. Previously, the Group allocated impairment losses to goodwill and, in accordance with the accounting policy for goodwill, did not consider the loss to be reversible. In accordance with the transitional provisions in the amendment, this new policy will be applied prospectively to any impairment losses that arise in the current or future periods and previous periods have not been restated.

  — The amendments to HKAS 27 have removed the requirement that dividends out of pre-acquisition profits should be recognised as a reduction in the carrying amount of the investment in the investee, rather than as income. As a result, as from 1 January 2009, all dividends receivable from subsidiaries, associates and jointly controlled entities, whether out of pre- or post-acquisition profits, will be recognised in the company's profit or loss and the carrying amount of the investment in the investee will not be reduced unless that carrying amount is assessed to be impaired as a result of the investee declaring the dividend. In such cases, in addition to recognising dividend income in profit or loss, the Group would recognise an impairment loss. In accordance with the transitional provisions in the amendment, this new policy will be applied prospectively to any dividends receivable in the current or future periods and previous periods have not been restated.

3. TURNOVER

The principal activities of the Group are the R&D of modern biological technology and the provision of R&D services, production and sales of cytokine therapeutic medicines 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, after allowances for returns and trade discounts and net invoiced value of R&D services provided of net sale tax.

	2009	2008
	RMB'000	RMB'000
Sales of medicines	**2,140**	16,310
R&D service income	**1,556**	—
	3,696	16,310

4. OTHER REVENUE AND OTHER NET INCOME

	2009	2008
	RMB'000	RMB'000
Other revenue		
Interest income on bank deposits	**64**	135
Total interest income on financial assets not at fair value through profit or loss	**64**	135
Subsidy income released from deferred revenue	**574**	348
Reversal of impairment allowance on trade receivables	**208**	1,780
Exchange gain	**27**	—
Others	**74**	387
	947	2,650
Other net income		
Gain on disposal of assets as capital contribution to a jointly controlled entity	**6,109**	—

5. LOSS BEFORE TAXATION

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

	2009 RMB'000	2008 RMB'000
a) Finance costs:		
Interest on bank loans wholly repayable within five years	**7,761**	453
Interest on bank loans wholly repayable after five years	**—**	9,901
Interest on entrusted loans from the immediate parent company	**3,902**	3,954
Total interest expense on financial liabilities not at fair value through profit or loss	**11,663**	14,308
Less: Government grant for compensation of loan interest expense *	**—**	(2,454)
	11,663	11,854
Less: Interest expense capitalized as cost of construction in progress	**—**	(6,023)
	11,663	5,831

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

The borrowing costs have been capitalised at a rate of Nil% per annum (2008: 3.76% - 5.49%)

5. LOSS BEFORE TAXATION (continued)

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

	2009	2008
	RMB'000	RMB'000
b) Staff costs:		
Contributions to defined contribution retirement plan	**440**	496
Salaries, wages and other benefits (including Directors' emoluments)	**5,707**	7,170
	6,147	7,666
c) Other items:		
Amortisation		
– interest in leasehold land held for own use under operating leases	**421**	181
– intangible assets *	**1,789**	2,696
Depreciation		
– assets held for own use under operating leases	**2,604**	359
– other assets	**5,669**	3,281
Impairment of		
– intangible assets *	**—**	6,165
– trade receivables *	**—**	249
– other receivables *	**259**	—
– property, plant and equipment *	**1,800**	—
Write down of inventories *	**35**	1,947
Net foreign exchange loss	**—**	84
Loss on disposal of property, plant and equipment *	**11**	67
Auditor's remuneration		
– audit services	**1,234**	1,173
– other services	**1,047**	693
Operating lease charges: minimum lease payments	**373**	167
Cost of inventories	**1,384**	7,477
R&D costs *	**3,628**	8,236

* 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:

	2009	2008
	RMB'000	RMB'000
Current tax		
PRC Enterprise Income Tax	**—**	—
Deferred tax		
Origination and reversal of temporary differences	**—**	(84)
Effect on deferred tax balances at 1 January resulting from a change in tax rate	**—**	360
	—	276

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 2009 is 25% (2008: 25%). The EIT has not been provided for as the Group has no assessable income 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.

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

	2009	2008
	RMB'000	RMB'000
Loss before taxation	**(37,476)**	(30,871)
Notional tax on loss before taxation, calculated at the rates applicable to profits on the tax jurisdictions concerned	**(12,958)**	(7,685)
Tax effect of non-deductible expenses	**3,146**	3,736
Tax effect of non-taxable income	**(144)**	(532)
Tax effect of unused tax losses not recognised	**9,956**	4,397
Effect on deferred tax balances at 1 January resulting from a change in tax rate	**—**	360
Actual tax expenses	**—**	276

7. DIVIDENDS

The Directors do not propose the payment of any dividend for the years ended 31 December 2009 in view of the losses for the respective year (2008: nil).

8. LOSS PER SHARE

a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to the owners of the Company of RMB37,476,000 (2008: RMB30,595,000) and the weighted average number of 946,670,000 ordinary shares (2008: 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 both periods presented.

9. SEGMENT REPORTING

The Group manages its business by divisions, which are organised by a mixture of both business lines (products and services) and geography. On first-time adoption of HKFRS 8, Operating Segment and in a manner consistent with the way in which information is reported internally to the Group's chief operating decision maker for the purpose of resource allocation and performance assessment, the Group has identified the following two reportable segments. No operating segments have been aggregated to form the following reportable segments:

(i) manufacturing and selling medicine products

(ii) providing R&D service of modern biological technology.

Currently all the above Group's activities are carried out in the PRC.

9. SEGMENT REPORTING (continued)

(a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's chief operating decision maker monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible assets, intangible assets and current assets with the exception of deferred tax assets and other corporate assets. Segment liabilities include trade payables, other payables and bank borrowings managed directly by the segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. However, assistance provided by one segment to another, including sharing the assets is not measured.

The measure used for reporting segment profit is "adjusted EBITDA", that is "adjusted earnings before interest, taxes, depreciation and amortisation". To arrive at adjusted EBITDA, the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as directors' and auditor's remuneration and other head office or corporate administration costs.

In addition to receiving segment information concerning adjusted EBITDA, management is provided with segment information concerning revenue including inter-segment sales, interest income and expense from cash balances and borrowings managed directly by the segments, depreciation, and amortisation, and impairment loss and additions to non-current segment assets used by the segments in their operations. Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

9. SEGMENT REPORTING (continued)

(a) Segment results, assets and liabilities (continued)

Information regarding the Group's reportable segments as provided to the Group's chief operating decision maker for the purposes of resource allocation and assessment performance for the year ended 31 December 2009 and 2008 is set out below.

	Manufacturing and selling medicine products						R&D service			
	PRC		Others		Sub-total		PRC		Total	
For the year ended 31 December	**2009 RMB'000**	2008 RMB'000	**2009 RMB'000**	2008 RMB'000	**2009 RMB'000**	2008 RMB'000	**2009 RMB'000**	2008 RMB'000	**2009 RMB'000**	2008 RMB'000
Revenue from external customers	**2,140**	12,701	**—**	3,776	**2,140**	16,477	**3,136**	—	**5,276**	16,477
Inter-segment revenue	**—**	(167)	**—**	—	**—**	(167)	**(1,580)**	—	**(1,580)**	(167)
Reportable segment revenue	**2,140**	12,534	**—**	3,776	**2,140**	16,310	**1,556**	—	**3,696**	16,310
Reportable segment loss (adjusted EBITDA)	**(16,803)**	(11,239)	**—**	(396)	**(16,803)**	(11,635)	**(199)**	—	**(17,002)**	(11,635)
Interest income from bank deposit	**64**	135	**—**	—	**64**	135	**—**	—	**64**	135
Interest expenses	**11,663**	5,831	**—**	—	**11,663**	5,831	**—**	—	**11,663**	5,831
Depreciation and amortisation										
– Property, plant and equipment	**7,736**	3,640	**—**	—	**7,736**	3,640	**537**	—	**8,273**	3,640
– Prepaid lease payment	**421**	181	**—**	—	**421**	181	**—**	—	**421**	181
– Intangible assets	**1,789**	2,696	**—**	—	**1,789**	2,696	**—**	—	**1,789**	2,696
Write-down of inventory	**35**	1,947	**—**	—	**35**	1,947	**—**	—	**35**	1,947
Impairment of intangible assets	**—**	6,165	**—**	—	**—**	6,165	**—**	—	**—**	6,165
Impairment of trade receivables	**—**	249	**—**	—	**—**	249	**—**	—	**—**	249
Impairment of other receivables	**259**	—	**—**	—	**259**	—	**—**	—	**259**	—
Impairment of property, plant and equipment	**1,800**	—	**—**	—	**1,800**	—	**—**	—	**1,800**	—
Reportable segment assets	**341,530**	298,338	**75**	76	**341,650**	298,414	**3,000**	—	**344,605**	298,414
Additions to fixed assets (i.e. non-current assets other than financial assets and deferred tax assets)	**46,290**	36,387	**—**	—	**46,290**	36,387	**2,123**	—	**48,413**	36,387
Reportable segment liabilities	**309,638**	225,936	**—**	—	**309,638**	225,936	**—**	—	**309,638**	225,936

9. SEGMENT REPORTING (continued)

(a) Segment results, assets and liabilities (continued)

The Group's customer base is diversified and includes only one customer with whom transactions have exceeded 10% of the Group's revenue. In 2009 revenue from sales of medicine to and R&D services income received from this customer, including sales to entities which are known to the Group to be under common control with this customer, amounted to approximately RMB 536,000 and RMB 1,053,000 respectively (2008: RMB3,369,000 and RMBNil respectively).

b) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities

	2009	2008
	RMB'000	RMB'000
Revenue		
Reportable segment revenue	**5,276**	16,477
Elimination of inter-segment revenue	**(1,580)**	(167)
Consolidated turnover	**3,696**	16,310

	2009	2008
	RMB'000	RMB'000
Loss		
Reportable segment loss	**(17,002)**	(11,635)
Elimination of inter-segment profit	**—**	—
Reportable segment loss derived from the Group's external customers	**(17,002)**	(11,635)
Other revenue and other net income	**7,056**	2,650
Depreciation and amortisaton	**(10,483)**	(6,517)
Finance costs	**(11,663)**	(5,831)
Impairment losses on non-current assets	**(1,800)**	(6,165)
Unallocated head office and corporate expense	**(3,584)**	(3,373)
Consolidated loss before taxation	**(37,476)**	(30,871)

9. SEGMENT REPORTING (continued)

b) Reconciliations of reportable segment profit or loss, assets and liabilities (continued)

	2009 RMB'000	2008 RMB'000
Assets		
Reportable segment assets	**344,605**	298,414
Elimination of inter-segment receivables	**(1,905)**	(12)
	342,700	298,402
Unallocated head office and corporate assets	**—**	—
Deferred tax assets	**726**	726
Consolidated total assets	**343,426**	299,128
Liabilities		
Reportable segment liabilities	**309,638**	225,936
Elimination of inter-segment payables	**(1,905)**	(12)
	307,733	225,924
Tax payable	**2,342**	2,342
Unallocated head office and corporate liabilities	**—**	—
Consolidated total liabilities	**310,075**	228,266

c) Geographic Information

The following is an analysis of geographical location of (i) the Group's revenue from external customers and (ii) the Group's non-current assets. The geographical location of the customers is refers to the location at which the services were provided or the goods delivered. The Group's non-current assets include fixed assets, intangible assets and deposit for acquisition of property, plant and equipment. The geographical location of property, plant and equipment is based on the physical location of the asset under consideration. In the case of intangible assets, it is based on the location of operation to which these intangibles are allocated.

	Revenue from external customers		Non-current assets	
	2009 RMB'000	2008 RMB'000	2009 RMB'000	2008 RMB'000
PRC	**3,696**	12,534	**213,816**	288,709
Pakistan	**—**	3,369	**—**	—
Others*	**—**	407	**—**	—
	3,696	16,310	**213,816**	288,709

* Others included Indonesia and Hong Kong.

10. TRADE AND OTHER RECEIVABLES

	2009	2008
	RMB'000	RMB'000
Trade receivables	**308**	819
Less: allowance for doubtful debts	**(308)**	(726)
	—	93
Amount due from fellow subsidiaries	**—**	1,267
Amount due from a jointly controlled entity	**1,063**	—
Amount due from a director	**44**	—
Amount due from related companies	**71,722**	10
Other receivables	**125**	22
Loans and receivables	**72,954**	1,392
Prepayments and deposits	**452**	2,534
	73,406	3,926

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

a) Ageing analysis

An ageing analysis of trade receivables net of allowance for doubtful debts of RMB308,000 (2008: RMB726,000), as of the end of the reporting period is as follows:

	2009	2008
	RMB'000	RMB'000
Within 3 months	**—**	85
More than 3 months but less than 12 months	**—**	8
Over 12 months	**—**	—
	—	93

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

	2009	2008
	RMB'000	RMB'000
At 1 January	**726**	6,084
Impairment loss recognised (note i)	**—**	249
Reversal of impairment allowance (note ii)	**(208)**	(1,780)
Uncollectible amounts written off (note iii)	**(210)**	(3,827)
At 31 December	**308**	726

Note:

i) As at 31 December 2009, trade receivables of the Group amounting to RMBNil (2008: 249,000) 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 end of the reporting period or were due from companies with financial difficulties.

ii) 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 in 2008. In 2009, the Group recovered a long outstanding trade receivable which was impaired in previous year.

iii) RMB210,000 (2008: RMB3,827,000) of the trade receivables previously considered as impaired and provided for was written off in 2009. The amount represented the long-outstanding trade receivables which were not collectible even 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:

	2009	2008
	RMB'000	RMB'000
Neither past due nor impaired	**—**	85
3 to 6 months past due	**—**	—
Over 12 months past due	**—**	—
	—	85

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

	2009	2008
	RMB'000	RMB'000
Trade payables	**693**	1,356
Receipt in advance	**1,705**	1,700
Other payables and accrual	**11,976**	6,399
Amount due to a related company	**1,105**	—
Amount due to fellow subsidiaries	**482**	—
Amount due to the immediate parent company	**71,953**	15,076
Financial liabilities measured at amortised cost	**87,914**	24,531

11. TRADE AND OTHER PAYABLES (continued)

An aging analysis of trade payables as of the end of the reporting period, based on the invoice date is as follows:

	2009	2008
	RMB'000	RMB'000
Within 3 months	**—**	101
4 to 6 months	**—**	314
7 to 12 months	**—**	269
Over 1 year	**693**	672
	693	1,356

MODIFICATION IN INDEPENDENT AUDITOR'S REPORT

The auditor's report on the consolidated financial statements for the year ended 31 December 2009 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 the owners of the Company of approximately RMB37,476,000 and net current liabilities of approximately RMB11,372,000 as at the year-end date. In addition, as at 31 December 2009, the Group had contracted commitments in respect of future capital expenditure of approximately RMB47,298,000. 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 year ended 31 December 2009.

The figures in respect of the preliminary announcement of the Group's result for the year ended 31 December 2009 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 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 R&D of modern biological technology (the "R&D Business") and sales of cytokine therapeutic drugs including rhIFN α 2b for injection and rhIL-2 (125Ser) for injection (the "Cytokines Products") in the PRC. During the Year, the Group has suspended the production and sales of subunit influenza vaccine and the Cytokines Products. During the Year, the Group was engaged in the development of the R&D Business and strived to introduce advanced international production and quality management system and product quality standards for influenza vaccines to further develop its influenza vaccines business through GSK-Neptunus, which was established with GSK.

Influenza Vaccine Business

The influenza vaccines business is a key business to be developed by the Group. On 9 June 2009, the Company and GSK entered into the joint venture contract (the "JV Contract "), pursuant to which GSK-Neptunus was subsequently established on 6 August 2009. Its scope of business includes: research, development, production and operation of human vaccines, and its drug production permit is valid till 6 July 2014. GSK-Neptunus is currently beneficially owned by the Company and GSK as to 60% and 40% respectively. The Board believes that GSK-Neptunus will become the operating subsidiary of the Company for the development of the influenza vaccines business.

The JV Contract provides that the term of GSK-Neptunus shall be ten years. According to the JV Contract and the articles of association of GSK-Neptunus, the total investment of GSK-Neptunus shall be US$ 99,900,000 (approximately HK$774,000,000) and the registered capital of GSK-Neptunus shall be US$78,330,000 (approximately HK$607,000,000), of which (i) US$45,530,000 (approximately HK$352,860,000, shall be contributed by the Company by injecting 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) to GSK-Neptunus; (ii) US$1,470,000 (approximately HK$11,390,000) shall be contributed by the Company in cash and the Company will hold 60% of the equity interest in GSK-Neptunus; (iii) US$31,330,000 (approximately HK$243,810,000 shall be contributed by GSK and GSK will hold 40% of the equity interest in GSK-Neptunus.

According to the verification report Shenyoulianyanzi No. [2009] 0545 (深友聯驗字 [2009] 0545 號) in respect of capital contribution of GSK-Neptunus issued by Shenzhen Youlian Certified Public Accountants Partnership on 13 October 2009, as at 30 September 2009, each of the Company and GSK has contributed US$1,470,000 (approximately HK$11,390,000) and US$13,820,000 (approximately HK$107,105,000) in cash respectively to GSK-Neptunus, and the parties have completed the first phrase of contribution. According to the verification report Shenyoulianyanzi No. [2009] 0619 (深友聯驗字 [2009] 0619 號) issued by Shenzhen Youlian Certified Public Accountants Partnership on 2 November 2009, as at 2 November 2009, the Company has made a contribution in kind of approximately US$45,530,000 (approximately HK$352,860,000). According to the verification report Shenyoulianyanzi No. [2010] 006 (深友聯驗字[2010] 006號) issued by Shenzhen Youlian Certified Public Accountants Partnership on 5 February 2010, GSK has contributed US$3,690,000 (approximately HK$28,597,500) in cash to GSK-Neptunus. As at the date of this announcement, GSK-Neptunus has received total paid-in capital of US$64,510,000 (approximately HK$499,952,500), accounting for 82.35% of total registered capital.

GSK-Neptunus 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 core manufacturing technologies for global first class vaccines) to develop and produce a series of influenza vaccines products, including but not limited to split 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 GSK-Neptunus, GSK shall purchase from the Company 9% of the equity interests in GSK-Neptunus for a consideration equivalent to 150% of the original value of such equity interests. On each subsequent anniversary of the establishment date of GSK-Neptunus, both of the joint venture parties shall discuss in good faith and agree on further increase of GSK's equity interests in GSK-Neptunus by purchasing the equity interests held by the Company in GSK-Neptunus, provided however that, in case GSK's equity interests are below fifty percent (50%) by the 5th anniversary of the establishment date, upon GSK's request, the Company shall sell its equity interests to GSK in such percentage as necessary for GSK's equity interests in GSK-Neptunus to reach a minimum of fifty-one percent (51%) and a maximum of sixty percent (60%) of the registered capital.

During the Year, the Company completed the improvement of the existing plant with a production capacity of one million doses of influenza vaccines and is currently providing R&D services for the H1N1 influenza vaccine products of GSK-Neptunus. Such R&D services are provided under normal progress pursuant to the R&D service agreement. The influenza vaccine production base of GSK-Neptunus is currently adjusting and testing its system and equipments according to the influenza vaccine production process of GSK.

CYTOKINES BUSINESS

During the first two months of the Year, the Company was engaged in the Cytokines Business, the R&D Business and the influenza vaccines business. The sales and profit margin of Cytokines Products were not satisfactory. 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 suspended the operation of such business during the Year 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.

In view of the smooth progress on business reorganization and the gradual development of the Company's R&D Business, the Company plans to either (i) dispose of its Cytokines Business; or (ii) further develop its Cytokines Business by identifying potential partners to jointly improve or increase cytokines products. The Company is currently carrying out preparatory work for the two above-mentioned methods and will choose the one which is in the best interest of the Group.

Acquisition of Fuzhou Neptunus Fuyao Pharmaceutical Company Limited ("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 the relevant assets owned by the Company. The Letter of Intent has no legal binding effect on the parties. In the third quarter of the Year, the parties hereto have decided to postpone the negotiation about the said acquisition and sale under the Letter of Intent.

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 R&D services to Neptunus Pharmaceutical, a subsidiary of Neptunus Bio-engineering. After the suspension of the Cytokines Business, the R&D Business became the main source of revenue for the Company and generated a revenue of approximately RMB3,136,000 for the Company during the Year.

To achieve its expansion plans for the R&D Business, the Company has carried out the following works for its R&D Business: (i) renovation and upgrading works for the office and laboratory; and construction works for its pilot plant; (ii) the Company has entered into a service agreement on 24 August 2009 with Neptunus Pharmaceutical for the provision of services in the research, development, animal testing, clinical trial of cytokines therapeutic drugs and other ancillary services by the Company to Neptunus Pharmaceutical; and (iii) the Company and GSK-Neptunus have entered into a master service agreement for the provision of R&D services, preclinical trial and other ancillary services by the Company to GSK-Neptunus. Pursuant to the master service agreement, the Company has been providing R&D services for H1N1 influenza vaccine to GSK-Neptunus since 1 September 2009. The above two service agreements have been determined on normal commercial terms on an arm's length basis.

PROSPECTS

The Company and GSK have established the joint venture company, GSK-Neptunus, which is now committed to the development of influenza vaccines business. With the combined experience, standing and expertise of the joint venture parties and the intangible assets provided by GSK, GSK-Neptunus 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 GSK-Neptunus. The Board also believes that the Company's equity interests in GSK-Neptunus will bring profits to the Company and enhance the Company's image and position in the global biological pharmaceutical industry.

The Company has entered into a service agreement with each of Neptunus Pharmaceutical and GSK-Neptunus. The Board estimates that these agreements will generate revenue for the Company of approximately RMB6,000,000 to RMB9,000,000 per year over the next three years. The Board therefore takes the view that the R&D Business will provide stable revenue for the Company in the coming few years.

In respect of the Cytokines Business, the Company has been negotiating with potential partners in the hope of further developing its Cytokines Business by establishing a joint venture company to research in improving and increasing cytokines products and reconstructing cytokines production lines. Any further development of the Cytokines Business in new fields will have a positive effect on the prospect of the Company.

FINANCIAL REVIEW

The Group's turnover for the Year was approximately RMB3,696,000, representing a decrease of 77.3% from that of approximately RMB16,310,000 in the corresponding period last year. Turnover for the Year was mainly derived from sales income of medicine products and revenue of R&D Business. Sales income and revenue of R&D Business accounted for 57.9% and 42.1% of the total revenue respectively. Reason for the decline in turnover during the year is that the Group has suspended the sales of subunit influenza vaccine and the Cytokines Products. The Company currently focuses on the expansion of its R&D Business, therefore the revenue of R&D Business accounted for a higher percentage.

The Group's gross profit and gross profit margin for the Year were approximately RMB977,000 and 26.4% respectively, decreasing by RMB7,856,000 and decreasing by 27.8% respectively compared with that of the corresponding period last year. The decrease in total gross profit was due to the suspension of the production and sales of related medicine products by the Group during the Year.

The Group's selling and distribution costs for the Year amounted to approximately RMB1,157,000, decreasing by approximately RMB2,085,000 compared with that of the corresponding period last year, representing a decrease of approximately 64.3%. The decrease was due to the suspension of the sales of related medicine products by the Group and thereby no more expenses incurred during the relevant period.

The Group's administrative expenses for the Year amounted to approximately RMB25,166,000, increasing significantly by approximately RMB12,119,000 from approximately RMB13,047,000 in the corresponding period last year, representing an increase of approximately 92.9%. The increase of administrative expenses was because of two reasons: (i) the Group has suspended the production of subunit influenza vaccine and the Cytokines Products, and relevant depreciation on production equipment, staff costs etc. were transferred to "administrative expenses"; and (ii) legal fees, audit expenses, training expenses and management services fee incurred by the Group in relation to the joint venture, acquisitions and other businesses increased significantly.

The Group's other operating expenses for the Year amounted to approximately RMB7,523,000, decreasing by approximately RMB12,711,000 compared with that of the corresponding period last year, representing a decrease of approximately 62.8%, mainly because (i) the Group donated a batch of drugs with a worth of approximately RMB 702,000 during the corresponding period last year and there was no such expenditure in the Year ; (ii) the Group has provided R&D services to associated companies and recognized such revenue as of the main business, so the related R&D expense of approximately RMB1,335,000 was reclassified under the cost of main business in the Year; (iii) impairment loss of approximately RMB8,112,000 was made for stocks under the category of cytokines and intangible assets in 2008; (iv) since impairment loss was made for intangible assets under the category of cytokines in 2008, amortisation was no longer made in the Year, leading to a decline of approximately RMB902,000 in amortisation charge for intangible assets.

Finance costs of the Group for the Year amounted to approximately RMB11,663,000, representing a significant increase of approximately RMB5,832,000 as compared with approximately RMB5,831,000 for the corresponding period last year. The increase was mainly attributable to the fact that (i) the Group's production plant in Baoan district of Shenzhen obtained a Real Estate Title Certificate in September 2008, so that the related asset became fixed asset, and hence the corresponding loan interest paid during the Year was fully recorded as finance costs; (ii) the Group obtained a new loan of RMB30 million from SDB in the Year, resulting in an increase of approximately RMB943,000 in finance costs.

The Group's loss before taxation for the Year increased from approximately RMB30,871,000 in the corresponding period last year to approximately RMB37,476,000. The increase in loss was mainly due to the decrease in turnover and the significantly increase in administrative expenses and finance costs by the Group.

As such, loss attributable to the owners of the Company amounted to approximately RMB37,476,000 for the Year, compared with RMB30,595,000 for the corresponding period last year.

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 2009, the Group's total bank facilities debt was RMB136,000,000, of which RMB106,000,000 were long-term bank borrowings and RMB30,000,000 were short-term bank borrowings. Entrusted loans from the Company's controlling shareholder 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 RMB14,000,000 and interest of RMB 6,910,365 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 as at 31 December 2009 amounted to approximately RMB78,000,000.

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. Neptunus Bio-engineering undertook that the repayment date of this entrusted loan be postponed to 5 April 2011. However, Neptunus Bio-engineering had undertaken to the Company that it would not demand repayment of the above-mentioned 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 (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 undertook that the repayment date of this entrusted loan be postponed to 5 April 2011.

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 the 15th working day after the completion of the placing of new H shares by the Company (whichever is earlier). Neptunus Bio-engineering undertook not to require the repayment of this entrusted loan until 26 March 2011.

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

On 2 December 2008, Neptunus Bio-engineering also undertook to the Company that, during 2009, if the Company had no sufficient working capital to satisfy its current needs, Neptunus Bio-engineering would provide suitable financial assistance of up to RMB30,000,000 to satisfy the Company's continued operation capabilities for 2009.

On 15 April 2009, Neptunus Bio-engineeing entered into a Consolidated Credit Facilities Agreement with SDB (the "Facilities Agreement"). During the Year, Neptunus Bio-engineering has provided a transfer credit loan of RMB30,000,000 granted by SDB under the Facilities Agreement to the Company (the "Credit Loan"), and the non-interest-bearing financial assistance of RMB52,975,000.

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 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 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 above-mentioned 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.

Maximum Amount of Pledge Guarantee Agreement

On 15 April 2009, Neptunus Bio-engineeing and Neptunus Pharmacentical entered into a Maximum Amount of Pledge Guarantee Agreement with SDB, pursuant to which Neptunus Bio-engineeing and Neptunus Pharmacentical provided guarantee and pledged their respective properties as security for the credit facilities under the Facilities Agreement (including the Credit Loan granted to the Company by SDB).

Although the Guarantee Agreement, the Agreement on Pledge of Shares and Maximum Amount of Pledge Guarantee Agreement executed by Neptunus Bio-engineering for the purpose of securing the CDB Loan, its shareholder's entrusted loans to the Company and the Credit Loan 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 above-mentioned 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 FOR 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 GSK-Neptunus (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 GSK-Neptunus; and (ii) the consideration received from GSK for the transfer of the equity interest held by the Company in GSK-Neptunus; 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 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 GSK-Neptunus 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 2009, the gearing ratio of the Group was approximately 83% (2008: 73%) and was calculated by a division of the net debt (total borrowings less cash and cash equivalents) of approximately RMB158,639,000 (2008: RMB194,227,000) by total capital of approximately RMB191,990,000 (2008: RMB265,089,000).

NET CURRENT ASSETS

As at 31 December 2009, the Group had net current liabilities of approximately RMB11,372,000. Current assets comprised cash and cash equivalents of approximately RMB55,361,000, amounts due from related parties of approximately RMB72,829,000, inventories of approximately RMB117,000, prepayments, deposits and other receivables of approximately RMB577,000. Current liabilities comprised trade payables of approximately RMB693,000, interest-bearing bank borrowings to be repaid within one year of approximately RMB50,000,000, taxes payable of approximately RMB2,342,000, receipts in advance and other payables of approximately RMB13,681,000, amounts due to related parties of approximately RMB73,540,000. The net current liabilities of the Group were approximately RMB31,180,000 as at 31 December 2008. The decrease of the net current liabilities of the Group in the Year was mainly due to the fact that the Company and GSK have established the joint venture company, GSK-Neptunus, GSK invested monetary funds of approximately RMB94,391,000 in the Year. As at 31 December 2009, the investment amount due from GSK was approximately RMB71,712,000.

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 equipment located at Baoan district of Shenzhen to CDB and the relevant pledge procedures was completed in January 2009.

On 24 February 2009, the Company and CDB entered into the Amendment Agreement, pursuant to which the pledge in favor of CDB against the land use rights, buildings, plant and equipment located at Baoan district of Shenzhen was released.

FOREIGN CURRENCY RISK

During the Year, the Group's operating revenue, 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

As at 31 December 2009, the Group has capital commitments of approximately RMB47,298,000. The Board believes that such capital expenditure can be paid by the funds from the Company's bank borrowings and stand by facilities from the immediate parent company.

CONTINGENT LIABILITY

As at 31 December 2009, 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 GSK-Neptunus with GSK as disclosed above, the Company did not make any other major investments.

HUMAN RESOURCES

As at 31 December 2009, the Company employed a total of 30 staff (2008: 195). During the Year, the staff costs including Directors' remuneration which amounted to approximately RMB7,050,000 (2008: approximately RMB14,132,000). 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 2009, the number of employees of the Company categorized by various functions was set out as follows:

	As at 31 December	
	2009	2008
R&D	**22**	15
Production	**—**	41
Quality control	**—**	48
Sales and marketing	**—**	13
Administration	**8**	78
Total	**30**	195

Compared with 31 December 2008, the number of employees in all departments (other than the R&D department) of the Company decreased significantly during the Year and the production, quality control and sales and marketing departments were dismissed. As the Company conducted business reorganization and implemented the expansion plan for new businesses and suspended its drug production and sales business to focus on the development of its R&D Business during the Year, the Company made substantial adjustment to the department and personnel structure. But so far no labour relations involved would give rise to any legal disputes.

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 Directors and the consolidated financial statements of the Group for the year ended 31 December 2009.

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 R&D Business and sale of vaccines for infectious diseases in the PRC.

DIVIDENDS

The Directors do not recommend the distribution of any dividends for the Year (2008: Nil).

DISTRIBUTABLE RESERVES

At 31 December 2009, 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 RMB67,021,000.

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

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.

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 preparing 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 the proposed transactions under the Letter of Intent are proceeded by the parties, it will bring additional cash inflow and profits to the Company.

(c) On 2 March 2010, 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 RMB30,000,000 to enable the Company's going concern in 2010 if the Company's working capital is not sufficient to meet its current need.

(d) During the Year, the Company entered into the JV Contract and established GSK-Neptunus 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. The establishment and deveplopment of the joint venture company will bring additional profits and cash inflow recourses to the Company in the long term.

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.

CORPORATE GOVERNANCE PRACTICES

The Code on Corporate Governance Practices was effective for accounting periods commencing on or after 1 January 2005. The Company put strong emphasis on the superiority, steadiness and rationality of corporate governance. The Board is of the view that the Company has complied with the requirements set out in Appendix 15 "The Code on Corporate Governance Practices" and Appendix 16 "Corporate Governance Report" of the GEM Listing Rules during the Year.

AUDITORS

The financial statements of the Group were audited by CCIF CPA Limited, Certified Public Accountants, who will retire at the conclusion of the forthcoming annual general meeting of the Company 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

27 March 2010

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*