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 2010

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 the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

Chairman's Statement

Dear shareholders,

During the year ended 31 December 2010 (the "Year"), the Company and its subsidiaries, Ascendent Bio-Technology Company Limited ("Ascendent"), Fuzhou Neptunus Fuyao Pharmaceutical Company Limited ("Neptunus Fuyao"), Taizhou Neptunus Bio-technique Company Limited ("Taizhou Neptunus") and its jointly controlled entity, Shenzhen GSK-Neptunus Biologicals Co., Ltd. ("GSK-Neptunus") (collectively the "Group") carried out and completed business reorganization, expansion plans for new businesses and the Company's share capital expansion in total. Firstly, the influenza vaccines business of GSK-Neptunus is progressing on the normal schedule; secondly, Neptunus Fuyao together with its subsidiaries, newly acquired by the Group, has achieved sustainable development in several drug categories, including transfusion, generic drugs, herbal medicine and anti-tumor drugs, etc.; thirdly, the Group newly established Taizhou Neptunus, making significant progress in the process optimization and the production of clinical samples of the new product (recombinant human thymosin α1 for injection). Meanwhile, the Company is engaged in the study of influenza vaccines and cytokines as well as provision of research and development ("R & D") services.

The influenza vaccines business is a key business to be developed by the Group. GSK-Neptunus, after being jointly formed and established by the Company and GlaxoSmithKline Pte Ltd ("GSK"), has been devoted to the development of influenza vaccines business. 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 4-valent influenza vaccine and pandemic flu vaccines. During the Year, the influenza vaccine production base of GSK-Neptunus has tested its system and equipments and currently the equipment preparation before trial operation is going smoothly.

The Company completed the acquisition of the 80% equity interests in Neptunus Fuyao on 14 December 2010, pursuant to which Neptunus Fuyao became a subsidiary of the Company. Neptunus Fuyao, together with its subsidiaries, own more than 450 pharmaceutical production permits and 17 types of dosage medicine covering several categories, including transfusion, generic drugs, herbal medicine and anti-tumor drugs, etc.. From 2005 to 2009, the net profit of Neptunus Fuyao has a compound growth rate of over 40% and was the market leader in the pharmaceutical industry of Fujian Province in terms of net profit. During the Year, the growth rate of Neptunus Fuyao remained higher than its growth rate in the corresponding period in the previous year. It will have material and positive impacts on the Group's operating revenue and profitability for Neptunus Fuyao to become a subsidiary of the Company.

The Company established a subsidiary, Taizhou Neptunus, with Shenzhen Neptunus Pharmaceutical Company Limited ("Neptunus Pharmaceutical") in Taizhou City, Jiangsu Province, the PRC, on 18 August 2010. The Company and Neptunus Pharmaceutical established Taizhou Neptunus with the aim of undertaking research and development of new types of cytokines products (including but not limited to recombinant human thymosin α1 for injection). It is expected that if Taizhou Neptunus can make good progress in the R&D of new types of cytokines products, it will consider carrying out the production and sales of such new products by the way of joint venture, which will bring new opportunities for the Group to increase its mid-term profit level.

Chairman's Statement

The Company also focuses on the R&D business and provides R&D services to Neptunus Pharmaceutical, a subsidiary of Shenzhen Neptunus Bio-engineering Co., Ltd. ("Neptunus Bio-engineering"), and GSK-Neptunus. In addition to provision of R&D services to its related companies, the Company is committed to the research of its own biological R&D projects, so as to seek new entry points for the development of the Group's future business.

On 3 November 2010, the Company completed the issuing and allotment of 189,330,000 new H shares and received net proceeds of approximately HK$164,252,000. During the placing of new H shares, the Company is recognized by more investors and its proceeds will provide funding support for the Group's business development.

The board of Directors (the "Board") believes the business of the Group is developing well 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 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 2010 together with the comparative figures for the previous year as follows:

Consolidated Income Statement

For the year ended 31 December 2010

	Note	**2010**	2009
		RMB'000	RMB'000
TURNOVER	3, 9	**38,256**	3,696
COST OF SALES		**(25,876)**	(2,719)
GROSS PROFIT		**12,380**	977
OTHER REVENUE	4	**8,361**	712
OTHER NET INCOME	4	**28,859**	6,344
Selling and distribution expenses		**(7,232)**	(1,157)
Administrative expenses		**(37,200)**	(25,166)
Other operating expenses		**(20,350)**	(7,523)
LOSS FROM OPERATIONS		**(15,182)**	(25,813)
Finance costs	5(a)	**(15,330)**	(11,663)
LOSS BEFORE TAXATION	5	**(30,512)**	(37,476)
Income tax	6(a)	**131**	—
LOSS FOR THE YEAR		**(30,381)**	(37,476)
Attributable to:			
Owners of the Company		**(30,104)**	(37,476)
Non-controlling interests		**(277)**	—
		(30,381)	(37,476)
Loss per share			
Basic and Diluted	8	**RMB(3.00) cents**	RMB(3.96) cents

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010

	2010	2009
	RMB'000	RMB'000
Loss for the year	**(30,381)**	(37,476)
Other comprehensive loss for the year		
Exchange differences on translation of:		
- Financial statements of a jointly controlled entity	**(4,120)**	(35)
Total other comprehensive loss for the year, net of tax	**(4,120)**	(35)
Total comprehensive loss for the year	**(34,501)**	(37,511)
Attributable to:		
Owners of the company	**(34,224)**	(37,511)
Non-controlling interests	**(277)**	—
Total comprehensive loss for the year	**(34,501)**	(37,511)

Consolidated Statement of Financial Position

As at 31 December 2010

	Note	**2010**	2009
		RMB'000	RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**326,897**	185,044
Prepaid lease payments		**90,668**	22,986
Intangible assets		**138,695**	79
Deposit for acquisition of property, plant and equipment		**1,144**	5,707
Available-for-sale investments		**60**	—
Deferred tax assets		**1,898**	726
		559,362	214,542
CURRENT ASSETS			
Inventories		**89,434**	117
Trade and other receivables	10	**84,208**	73,406
Pledged bank deposits		**5,640**	—
Cash and cash equivalents		**247,056**	55,361
		426,338	128,884
CURRENT LIABILITIES			
Trade and other payables	11	**248,847**	87,914
Interest-bearing bank borrowings		**106,000**	50,000
Entrusted loans from the immediate parent company		**48,000**	—
Current taxation		**7,846**	2,342
		(410,693)	(140,256)
NET CURRENT ASSETS/ (LIABILITIES)		**15,645**	(11,372)
TOTAL ASSETS LESS CURRENT LIABILITIES		**575,007**	203,170

Consolidated Statement of Financial Position

As at 31 December 2010

	2010	2009
	RMB'000	RMB'000
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	**62,000**	86,000
Entrusted loans from the immediate parent company	**—**	78,000
Deferred revenue	**16,843**	5,819
Deferred tax liabilities	**40,296**	—
	(119,139)	(169,819)
NET ASSETS	**455,868**	33,351
CAPITAL AND RESERVES		
Share capital	**167,800**	94,667
Reserves	**223,042**	(61,316)
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY	**390,842**	33,351
NON-CONTROLLING INTERESTS	**65,026**	—
TOTAL EQUITY	**455,868**	33,351

Consolidated Statement of Changes in Equity

As at 31 December 2010

	Attributable to owners of the Company								
	Share capital RMB'000	Share premium RMB'000	Captial *reserve* RMB'000	Statutory reserve fund RMB'000	Exchange reserve RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2009	94,667	41,923	—	3,330	—	(69,058)	70,862	—	70,862
Comprehensive income									
Loss for the year	—	—	—	—	—	(37,476)	(37,476)	—	(37,476)
Exchange difference on translation of financial statements of a jointly controlled entity	—	—	—	—	(35)	—	(35)	—	(35)
Total comprehensive income for the year	—	—	—	—	(35)	(37,476)	(37,511)	—	(37,511)
At 31 December 2009 and 1 January 2010	**94,667**	**41,923**	**—**	**3,330**	**(35)**	**(106,534)**	**33,351**	**—**	**33,351**
Comprehensive income									
Loss for the year	**—**	**—**	**—**	**—**	**—**	**(30,104)**	**(30,104)**	**(277)**	**(30,381)**
Exchange difference on translation of financial statements of a jointly controlled entity	**—**	**—**	**—**	**—**	**(4,120)**	**—**	**(4,120)**	**—**	**(4,120)**
Total comprehensive income for the year	**—**	**—**	**—**	**—**	**(4,120)**	**(30,104)**	**(34,224)**	**(277)**	**(34,501)**
Issue of new domestic shares	**54,200**	**390,240**	**—**	**—**	**—**	**—**	**444,440**	**—**	**444,440**
Non-controlling interests arising on the acquisition of Neptunus Fuyao	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**65,103**	**65,103**
Formation of a subsidiary	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**200**	**200**
Placing and subscription of new H shares	**18,933**	**126,312**	**—**	**—**	**—**	**—**	**145,245**	**—**	**145,245**
Share issue expenses	**—**	**(3,631)**	**—**	**—**	**—**	**—**	**(3,631)**	**—**	**(3,631)**
Deemed distribution arising on the acquisition of Neptunus Fuyao	**—**	**—**	**(194,339)**	**—**	**—**	**—**	**(194,339)**	**—**	**(194,339)**
Transfer to other reserves	**—**	**—**	**—**	**4,972**	**—**	**(4,972)**	**—**	**—**	**—**
At 31 December 2010	**167,800**	**554,844**	**(194,339)**	**8,302**	**(4,155)**	**(141,610)**	**390,842**	**65,026**	**455,868**

Notes to the Financial Statements

For the year ended 31 December 2010

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 Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Company, its subsidiaries and its jointly controlled entity (together referred to as 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 owners of the Company of approximately RMB30,104,000 (2009: approximately RMB37,476,000) as at the end of the reporting period. In addition, as at 31 December 2010, the Group has contracted commitments for future capital expenditure of approximately RMB36,143,000 (2009:RMB47,298,000).

In preparing these financial statements, the directors of the Company 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, on 18 March 2010, the immediate parent company of the Group extended the repayment dates of the two entrusted loans in the amount of RMB48,000,000 to 5 April 2011.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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 2010 comprise the Company and its subsidiaries 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 . 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.

HKFRS 2 (Amendment)	Group cash-settled share-based payment transactions
HKFRS 1 (Revised)	First-time adoption of Hong Kong Financial Reporting Standard
HKFRS 3 (Revised 2008)	Business combinations
HKAS 27 (Amendments)	Consolidated and separate financial statements
HKFRS 5	Non-current assets held for sale and discounted operations-plan to sell the controlling interest in a subsidiary
HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC) - Int 17	Distributions of non-cash assets to owners
HK(Int) 5	Presentation of Financial Statements-Classification by the Borrower of a Term Loan that contains a Repayment on Demand Clause
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008

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.

HKAS 27 (revised 2008), consolidated and separate financial statements

The application of HKAS 27(revised 2008) has resulted in changes in the Group's accounting policies for changes in ownership interests in subsidiaries.

Specifically, the revised Standard has affected the Group's accounting policies regarding changes in ownership interests in its subsidiaries that do not result in loss of control. Previously, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised. For decreases in interests in existing subsidiaries that did not involve a loss of control, the difference between the consideration received and the adjustment to the non-controlling interests was recognised in profit or loss. Under HKAS 27 (revised 2008), all such increases or decreases are dealt with in equity, with no impact on goodwill or profit or loss.

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

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, HKAS 27 (revised 2008) requires the derecognition of all assets, liabilities and non-controlling interests at their carrying amount and to recognise the fair value of the consideration received. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost. The resulting difference is recognised as a gain or loss in profit or loss.

In accordance with the transitional provisions of HKAS 27 (revised 2008), these changes in accounting policies will be applied prospectively to transactions in current or future periods and therefore previous periods have not been restated.

Revisions to HKAS 27 (revised 2008) have not had a material effect on the Group's financial statements as these changes will first be effective as and when the Group enters into a relevant transaction (for example, a disposal of a subsidiary or a non-cash distribution) and there is no requirement to restate the amounts recorded in respect of such previous transactions.

Amendments to HKAS 17 Leases, as part of Improvements to HKFRSs issued in 2009

HKAS 17 Leases has been amended in relation to the classification of leasehold land. Before the amendments to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the consolidated statement of financial position. The amendments to HKAS 17 have removed such a requirement. The amendments require that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee.

In accordance with the transitional provisions set out in the amendments to HKAS 17, the Group reassessed the classification of unexpired leasehold land as at 1 January 2010 based on information that existed at the inception of the leases. Leasehold land that qualifies for finance lease classification has been reclassified from prepaid lease payments to property, plant, and equipment retrospectively.

Amendments to HKAS 1 Presentation of Financial Statements (as part of Improvements to HKFRSs issued in 2009)

The amendments to HKAS 1 clarify that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current, provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period, notwithstanding that the entity could be required by the counterparty to settle in shares at any time.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3. TURNOVER

The principal activities of the Group are the research and development ("R&D") of modern biological technology and the provision of R&D services, production and sales of medicines 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 net of sale tax.

	2010	2009
	RMB'000	RMB'000
Sales of medicines	**35,608**	2,140
R & D service income	**2,648**	1,556
	38,256	3,696

4. OTHER REVENUE AND OTHER NET INCOME

	2010	2009
	RMB'000	RMB'000
Other revenue		
Interest income on bank deposits	**363**	64
Total interest income on financial assets not at fair value through profit or loss	**363**	64
Subsidy income released from deferred revenue	**7,896**	574
Others	**102**	74
	8,361	712
Other net income		
Exchange gain	**—**	27
Gain on disposal of assets as capital contribution to a jointly controlled entity	**—**	6,109
Gain on partial disposal of equity interest of a jointly controlled entity	**28,674**	—
Reversal of impairment allowance on trade receivable	**—**	208
Reversal of impairment allowance on other receivable	**69**	—
Reversal of written down of inventory	**116**	—
	28,859	6,344

5. LOSS BEFORE TAXATION

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

	2010 RMB'000	2009 RMB'000
a) Finance costs		
Interest on bank loans wholly repayable within five years	**6,913**	7,761
Interest on entrusted loans from the immediate parent company	**3,706**	3,902
Interest on financial assistance from the immediate parent company	**4,711**	—
Total interest expense on financial liabilities not at fair value through profit or loss	**15,330**	11,663
b) Staff costs		
Contributions to defined contribution retirement Plan (including directors)	**1,746**	440
Salaries, wages and other benefits (including directors' emoluments)	**17,037**	5,707
	18,783	6,147

5. LOSS BEFORE TAXATION (continued)

	2010	2009
	RMB'000	RMB'000
c) Other items		
Amortisation		
– prepaid lease payments	**598**	421
– intangible assets *	**512**	1,789
Depreciation		
– assets held for own use under operating leases	**3,293**	2,604
– other assets	**5,074**	5,669
Impairment of		
– trade receivables *	**689**	—
– other receivables *	**88**	259
– property, plant and equipment *	**11,151**	1,800
Write down of inventories *	**149**	35
Written off of uncollectible amount	**15**	—
Net foreign exchange loss	**2,926**	—
Loss on disposal of property, plant and equipment *	**1,342**	11
Auditor's remuneration		
– audit services	**1,300**	1,234
– other services	**554**	1,047
Operating lease charges: minimum lease payments	**338**	373
Cost of inventories	**19,516**	1,384
R&D costs *	**6,141**	3,628

* 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:

	2010	2009
	RMB'000	RMB'000
Current tax		
Over provision for PRC Enterprise income tax	(366)	—
Deferred tax		
Origination and reversal of temporary differences	235	—
	(131)	—

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 2010 is 25% (2009: 25%).

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

	2010	2009
	RMB'000	RMB'000
Loss before taxation	(30,512)	(37,476)
Notional tax on loss before taxation, calculated at the rates applicable to loss on the tax jurisdictions concerned	(7,627)	(12,958)
Tax effect of non-deductible expenses	5,537	3,146
Tax effect of non-taxable income	(7,325)	(144)
Tax effect of unused tax losses not recognised	9,284	9,956
Actual tax expenses	(131)	—

7. DIVIDENDS

The directors do not propose the payment of any dividend for the years ended 31 December 2010 in view of the losses for the year (2009: nil).

8. LOSS PER SHARE

a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to owners of the Company of approximately RMB30,104,000 (2009: RMB37,476,000) and the weighted average number of approximately 1,004,002,000 ordinary shares (2009: 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 years presented.

9. SEGMENT REPORTING

Operating segments are identified on the basis of internal reports which provides information about components of the Group. These information are reported to and reviewed by the chief operating decision-makers ("CODM") for the purpose of resources allocation and performance assessment.

The Group has presented the following two reportable segments. These segments are managed separately. The medical products segment and R&D services segment offers very different products and services.

i) Manufacturing and selling of medicine products

ii) Provision of R&D services of modern biological technology

Currently all the above Group's activities are carried out in the PRC. No reportable operating segment has been aggregated.

The medical products segment derives its revenue from manufacture and sale of medical products.

The R&D services segment derives its revenue from the provision of R&D services income.

a) Segment results, assets and liabilities

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

Segment profit/loss represents the profit earned by/loss from each segment without allocation of central administration costs such as directors' salaries, share of profit of associates, investment income and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment. Taxation charge / (credit) is not allocated to a reportable segment.

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.

The revenue from external parties reported to the CODM is measured in a manner consistent with that in the income statement.

All assets are allocated to reportable segments other than tax recoverable and corporate assets. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments.

All liabilities are allocated to reportable segments other than current and deferred tax liabilities and corporate liabilities. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

9. SEGMENT REPORTING (continued)

a) Segment results, assets and liabilities (continued)

Information regarding the Group's reportable segments as provided to the Group's CODM for the purposes of resource allocation and performance assessment for the year ended 31 December 2010 and 2009 is set out below.

	Manufacturing and selling of medicine products		R & D service		Total	
For the year ended 31 December	**2010 RMB'000**	2009 RMB'000	**2010 RMB'000**	2009 RMB'000	**2010 RMB'000**	2009 RMB'000
Segment revenue						
Revenue from external customers	35,608	2,140	2,648	3,136	38,256	5,276
Inter-segment revenue	—	—	—	(1,580)	—	(1,580)
Reportable segment	35,608	2,140	2,648	1,556	38,256	3,696
Reportable segment loss (before taxation)	(1,419)	(16,803)	(27,149)	(199)	(28,568)	(17,002)
Interest revenue	208	64	155	—	363	64
Interest expenses	463	11,663	14,867	—	15,330	11,663
Depreciation and amortisation						
– Property, plant and equipment	1,032	7,736	7,335	537	8,367	8,273
– Prepaid lease payments	130	421	468	—	598	421
– Intangible assets	372	1,789	140	—	512	1,789
(Reversal)/written down of inventory	149	35	(116)	—	33	35
Impairment of property, plant and equipment	—	1,800	11,151	—	11,151	1,800
Impairment of						
-trade receivables	689	—	—	—	689	—
-other receivables	83	259	5	—	88	259
Reversal of impairment allowance of other receivables	(69)	—	—	—	(69)	—
Income tax expense	(131)	—	—	—	(131)	—
Reportable segment assets	564,240	341,605	419,826	3,000	984,066	344,605
Additions to non-current assets (other than financial instruments and deferred tax assets)	1,595	46,290	70,131	2,123	71,726	48,413
Reportable segment liabilities	206,281	309,638	275,733	—	482,014	309,638

The Group's customer base is diversified and no 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 RMB536,000 and RMB1,053,000 respectively.

9. SEGMENT REPORTING (continued)

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

	2010	2009
	RMB'000	RMB'000
Revenue		
Reportable segment revenue	**38,256**	5,276
Elimination of inter-segment revenue	**—**	(1,580)
Consolidated turnover	**38,256**	3,696
Loss		
Reportable segment loss	**(28,568)**	(17,002)
Elimination of inter-segment profit	**—**	—
Reportable segment loss derived from the Group's external customers	**(28,568)**	(17,002)
Other revenue and other net income	**37,220**	7,056
Depreciation and amortisaton	**(9,477)**	(10,483)
Finance costs	**(15,330)**	(11,663)
Impairment losses on non-current assets	**(11,151)**	(1,800)
Unallocated head office and corporate expense	**(3,206)**	(3,584)
Consolidated loss before taxation	**(30,512)**	(37,476)
Assets		
Reportable segment assets	**984,066**	344,605
Elimination of inter-segment receivables	**(324)**	(1,905)
	983,742	342,700
Unallocated head office and corporate assets	**60**	—
Deferred tax assets	**1,898**	726
Consolidated total assets	**985,700**	343,426

9. SEGMENT REPORTING (continued)

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

	2010 RMB'000	2009 RMB'000
Liabilities		
Reportable segment liabilities	**482,014**	309,638
Elimination of inter-segment payables	**(324)**	(1,905)
	481,690	307,733
Tax payable	**7,846**	2,342
Deferred tax liabilities	**40,296**	—
Unallocated head office and corporate liabilities	**—**	—
Consolidated total liabilities	**529,832**	310,075

c) Geographic Information

The Group's turnover and results from operations mainly derived from activities in the PRC. The principal assets of the Group were located in the PRC during the year. Accordingly, no analysis by geographical segment is provided.

10. TRADE AND OTHER RECEIVABLES

	2010	2009
	RMB'000	RMB'000
Trade and bills receivables	**58,307**	308
Less: allowance for doubtful debts	**(982)**	(308)
	57,325	—
Amounts due from fellow subsidiaries	**1,396**	—
Amount due from a jointly controlled entity	**296**	1,063
Amount due from a director	**—**	44
Amounts due from related companies	**546**	71,722
Amount due from immediate parent company	**10,254**	—
Other receivables	**9,300**	125
Loans and receivables	**79,117**	72,954
Prepayments and deposits	**5,091**	452
	84,208	73,406

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

10. TRADE AND OTHER RECEIVABLES (continued)

a) Ageing analysis

An ageing analysis of trade receivables net of allowance for impairment loss of approximately RMB982,000 (2009: RMB308,000) as at the end of the reporting period is as follows:

	2010	2009
	RMB'000	RMB'000
Within 3 months	**43,204**	—
More than 3 months but less than 12 months	**13,315**	—
Over 12 months	**806**	—
	57,325	—

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

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 impairment loss

	Note	**2010**	2009
		RMB'000	RMB'000
At 1 January		**308**	726
Impairment loss recognised		**689**	—
Reversal of impairment allowance	(ii)	**—**	(208)
Uncollectible amounts written off	(iii)	**(15)**	(210)
At 31 December		**982**	308

10. TRADE AND OTHER RECEIVABLES (continued)

b) Impairment of trade receivables (continued)

Notes:

i) As at 31 December 2010, trade receivables of the Group amounting to RMB982,000 (2009: 308,000) were individually determined to be impaired and allowance had been made. These individually impaired receivables were outstanding for over 1 year 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 providing debt collection services from certain long-outstanding trade receivables. The third party succeeded in recover these long-outstanding debts for the Company in 2009 and the previous allowance was decreased.

iii) RMB15,000 (2009: RMB210,000) of the trade receivables previously considered as impaired and provided for was written off in 2010. 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.

c) Trade and bills receivables that are not impaired

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

	2010	2009
	RMB'000	RMB'000
Neither past due nor impaired	**46,370**	—
3 to 12 months past due	**10,149**	—
Over 12 months past due	**806**	—
	57,325	—

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

	2010 RMB'000	2009 RMB'000
Trade and bills payables	**57,524**	693
Receipts in advances	**10,750**	1,705
Other payables and accruals	**40,396**	11,976
Amount due to a related company	**4,201**	1,105
Amount due to fellow subsidiaries	**596**	482
Amount due to the immediate parent company	**135,380**	71,953
Financial liabilities measured at amortised cost	**248,847**	87,914

All of the trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

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

	2010 RMB'000	2009 RMB'000
Within 3 months	**49,798**	—
4 to 6 months	**2,737**	—
7 to 12 months	**1,298**	—
Over 1 year	**3,691**	693
	57,524	693

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 influenza vaccines business. During the year 2009, the Group has suspended the production and sales of cytokine therapeutic drugs (the "Cytokines Business"), including recombinant human interferon α 2b for injection and recombinant human interleukin-2 for injection (125Ser) (the "Cytokines Products"). Consequently, during the Year, the Company was engaged in the development of the R&D Business and established GSK-Neptunus with GSK in order to introduce advanced international production and quality management system and product quality standards for influenza vaccines to further develop its influenza vaccines business. During the Year, the Company also entered into an agreement with Neptunus Bio-engineering and Neptunus Pharmaceutical in relation to the conditional acquisition of 75% and 5% equity interests in Neptunus Fuyao held by Neptunus Bio-engineering and Neptunus Pharmaceutical respectively ("Fuyao Equity Transfer Agreement"), with a view to rapidly expand its revenue source of the main businesses through the incorporation of herbal medicine, generic drugs, transfusion and anti-tumor drugs businesses. This acquisition was completed prior to the date of this announcement.

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. As at the date of this announcement, GSK-Neptunus is beneficially owned by the Company and GSK as to 51% and 49% respectively.

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, equipments 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 interests 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 interests in GSK-Neptunus.

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 alteration of business registration in respect of the transfer of 9% equity interests in GSK-Neptunus between the Company and GSK was completed and the Company received the consideration for the transfer of 9% equity interests in GSK-Neptunus which is equivalent to 150% of the original value of such equity interests, namely USD10,574,550. Starting from 12 August 2010, GSK-Neptunus is beneficially owned by the Company and GSK as to 51% and 49% respectively.

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 4-valent influenza vaccine and pandemic flu vaccines. During the Year, the influenza vaccine production base of GSK-Neptunus has tested its system and equipments and currently the equipment preparation before trial operation is going smoothly.

Acquisition of Neptunus Fuyao and Its Business

On 2 March 2009, the Company entered into a non-legally binding letter of intent ("Letter of Intent") with Shenzhen 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 2009, the parties hereto had decided to postpone the negotiation about the said acquisition and sale under the Letter of Intent.

Thereafter, the Company proactively negotiated with Neptunus Bio-engineering and Neptunus Pharmaceutical in respect of the acquisition of their respective 75% and 5% equity interests in Neptunus Fuyao. The Company, Neptunus Bio-engineering and Neptunus Pharmaceutical entered into the Fuyao Equity Transfer Agreement in respect of the acquisition (the "Fuyao Acquisition") of 80% of the registered capital of Neptunus Fuyao on 16 July 2010, pursuant to which the Company conditionally agreed to purchase and Neptunus Bio-engineering and Neptunus Pharmaceutical conditionally agreed to sell 80% of the registered capital of Neptunus Fuyao at a consideration of RMB433,600,000, which should be fully settled by the issue of 542,000,000 domestic shares of the Company ("Consideration Shares") to Neptunus Bio-engineering at an agreed issue price of RMB0.80 per share (the fair value of the shares at the completion date on 14 December 2010 was RMB0.82 per share) within 60 days after the completion of the Fuyao Acquisition and upon the completion of certain procedures relating to the issue and allotment of the domestic shares of the Company under the PRC laws.

In view of the reform in PRC's medical and hygiene system and PRC's "three main focuses" in the medical industry: "speeding up basic medical protection system", "setting up national basic medication system" and "provision of comprehensive basic medical and hygiene service system", the Board believes that the generic drugs market is and will be growing rapidly in the PRC and there will be a great development potential for such drugs. Neptunus Fuyao and its subsidiaries together own more than 40 production lines for 17 types of medications in dose form, all of which have passed the GMP qualifications and obtained the relevant national GMP certificates. In addition, Neptunus Fuyao and its subsidiaries together own more than 450 approvals in relation to the production of drugs, most of which are generic drugs. Thus the Board takes the view that Neptunus Fuyao has great potential to develop in the medical industry under the current government policy and market circumstances and the acquisition of Neptunus Fuyao will provide the Company with good business potential.

The Fuyao Equity Transfer Agreement and the transactions contemplated thereunder were approved by the independent shareholders at the extraordinary general meeting and class meetings of the Company convened on 13 September 2010, and were approved at general meetings of Neptunus Bio-engineering, Neptunus Pharmaceutical and Neptunus Fuyao. As a condition precedent to the Fuyao Acquisition, the Company completed the issuing and allotment of 189,330,000 new H shares on 3 November 2010, upon which the total number of issued shares of the Company was 1,136,000,000 shares, consisting of 710,000,000 domestic shares and 426,000,000 H shares. The alteration of business registration for the 80% equity interests in Neptunus Fuyao was completed on 14 December 2010, as a result of which the Company held 80% of the registered capital of Neptunus Fuyao and Neptunus Fuyao became a subsidiary of the Company. Subsequent to the completion of the Fuyao Acquisition, on 2 March 2011, the Company issued and allotted 542,000,000 domestic shares as Consideration Shares to Neptunus Bio-engineering and following the completion of the issue and allotment of the Consideration Shares, the total number of issued shares of the Company was 1,678,000,000 shares, consisting of 1,252,000,000 domestic shares and 426,000,000 H shares.

CYTOKINES BUSINESS

During the year 2009, the Company suspended the Cytokines Business, including the production and sales of the Cytokines Products. In view of the smooth progress on the joint venture of influenza vaccine and the Fuyao Acquisition, the Company intends to expand the categories of its cytokines products by the way of co-operation, thus revitalizing its Cytokines Business.

The Company established a subsidiary, Taizhou Neptunus, in Taizhou City, Jiangsu Province, the PRC, on 18 August 2010. Taizhou Neptunus has a registered capital of RMB1,000,000, of which RMB800,000 was contributed by the Company and RMB200,000 was contributed by Neptunus Pharmaceutical. Taizhou Neptunus is owned as to 80% by the Company and 20% by Neptunus Pharmaceutical. As at 31 December 2010, all the capital contribution to Taizhou Neptunus was made.

The business scope of Taizhou Neptunus as set out in its business license is the R & D of biopharmaceutical products. Taizhou Neptunus, established by the Company and Neptunus Pharmaceutical, is carrying out the study on process optimization and the production of clinical samples of the product (recombinant human thymosin α1 for injection), for which Neptunus Pharmaceutical has obtained the clinical approval, and has made significant progress. The Company expects that if Taizhou Neptunus makes good progress in the R&D of new types of cytokines products, it will consider carrying out the industralization of such new products by way of joint venture.

R&D Business

During the Year, 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 and subsidiaries. After the suspension of the Cytokines Business, the R&D Business has remained the main source of revenue for the Company and generated a revenue of approximately RMB3,322,000 for the Company during the Year.

Placing and Issue of New H Shares

On 18 October 2010 (after trading hours), the Company entered into a placing agreement (the "Placing Agreement") with First Shanghai Securities Limited (the "Placing Agent") whereby the Company agreed to place, through the Placing Agent, on a best effort basis, a maximum of 189,334,000 new H shares (the "Placing Shares") to not less than six placees at a price of HK$0.89 per share (the "Placing"). The maximum of 189,334,000 Placing Shares represent (i) 20% of the issued share capital of the Company as at the date of the Placing Agreement; and (ii) approximately 16.67% of the issued share capital of the Company as enlarged by the issue of a maximum of 189,334,000 placing shares and will be issued under a specific mandate. The Company intends to use the net proceeds from the Placing to (i) repay a portion of the Company's outstanding indebtedness; (ii) provide working capital to finance the operation of the Company and to develop the R&D Business; and (iii) provide working capital for the GSK-Neptunus to develop its vaccine business. On 3 November 2010, the Company completed the issuing and allotment of 189,330,000 new H shares and received net proceeds of approximately HK$164,252,000.

PROSPECTS

The Company has completed the acquisition of Neptunus Fuyao. Neptunus Fuyao, together with its subsidiaries, own more than 450 pharmaceutical production permits and 17 types of dosage medicine covering several categories, including transfusion, generic drugs, herbal medicine and anti-tumor drugs, etc. of which, 127 drugs are listed on the National Essential Drugs List and all were successful in the tender held in Fujian Province in 2010. There are 5 anti-tumor drugs under the anti-tumor drug category, and 2 other anti-tumor products are scheduled to be launched within a few years. Drugs under the herbal medicine category yield a high profit-margin and have great market potential. 8 exclusive herbal medicines are already in the market and 2 other herbal medicines are scheduled to be launched in 2011. From 2005 to 2009, the net profit of Neptunus Fuyao has a compound growth rate of over 40%. It was the market leader in the pharmaceutical industry of Fujian Province in terms of net profit. During the Year, the growth rate of Neptunus Fuyao remained higher than its growth rate in the corresponding period in the previous years.

Neptunus Fuyao will take advantage of favourable local policies and continue to improve its sales performance and market share in Fujian Province. At the same time, Neptunus Fuyao also plans to integrate with the nation-wide retail and distribution network of the Neptunus system and expand into markets outside Fujian Province. It will focus on promoting the premium herbal medicine and premium anti-tumor drugs of Neptunus Fuyao, which is expected to have positive impacts on the operating revenue and profits of Neptunus Fuyao in the future. Our Board believes that it will have material and positive impacts on the Group's operating revenue and profitability for Neptunus Fuyao to become a subsidiary of the Company.

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 domestic and overseas vaccine market. The Board believes that such domestic and overseas 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.

FINANCIAL REVIEW

The Group's turnover for the Year was approximately RMB38,256,000, representing an increase of 935% from that of approximately RMB3,696,000 in the corresponding period last year. Turnover for the Year was mainly derived from sales income of medicine products of a subsidiary, Neptunus Fuyao, and revenue of R&D Business. Sales income and revenue of R&D Business accounted for 93% and 7% of the total revenue respectively. The increase in turnover was because that Neptunus Fuyao became a subsidiary of the Company in December 2010 and its sales income of medicine was approximatley RMB35,608,000 in December 2010.

The Group's gross profit and gross profit margin for the Year were approximately RMB12,380,000 and 32% respectively, increasing by RMB11,403,000 and 6% respectively compared with that of the corresponding period last year. The increase in gross profit was because that Neptunus Fuyao, which became a subsidiary of the Company in December 2010, had a gross profit of approximately RMB12,116,000.

The Group's other revenue for the Year was approximately RMB37,220,000, increasing by approximately RMB30,164,000 as compared with that of the corresponding period last year, representing an increase of approximately 427%. The increase in other revenue was mainly due to the fact that the Group sold 9% equity interests in GSK-Neptunus held by the Company during the Year, resulting in a gain of approximately RMB28,674,000.

The Group's selling and distribution costs for the Year amounted to approximately RMB7,232,000, increasing by approximately RMB6,075,000 compared with that of the corresponding period last year, representing an increase of approximately 525%. The increase was due to the suspension of the sales of related medicine products by the Group during relevant period last year and therefore no more related expenses incurred, as well as the fact that Neptunus Fuyao, which became a subsidiary of the Company in December 2010, had selling costs of approximatley RMB7,232,000.

The Group's administrative expenses for the Year amounted to approximately RMB37,200,000, increasing significantly by approximately RMB12,034,000 from approximately RMB25,166,000 in the corresponding period last year, representing an increase of approximately 48%. The increase in administrative expenses was because of three reasons: (i) Neptunus Fuyao, which became a subsidiary of the Company in December this Year, had administrative expenses of approximately RMB5,514,000; (ii) agent fees, including legal fees, audit expenses, and evaluation fees incurred by the Group in relation to the joint venture, acquisitions and other businesses increased significantly; and (iii) the Group completed the issuing and allotment of 189,330,000 new H shares and received net proceeds of approximately HK$164,252,000 this year. Due to the foreign exchange control by Chinese government and the appreciation of Renminbi, a exchange loss of approximately RMB2,220,000 was incurred in this Year.

The Group's other operating expenses for the Year amounted to approximately RMB20,350,000, increasing by approximately RMB12,827,000 compared with that of the corresponding period last year, representing an increase of approximately 171%, mainly because (i) GSK-Neptunus upgraded its existing facility in accordance with new GMP, therefore an impairment provision of approximately RMB16,454,000 was made for related assets, for which the Group recorded an expense of approximately RMB9,316,000 on a pro rata basis; and (ii)the Company disposed its cytokines production lines and renovation projects during the Year, resulting in a loss of approximately RMB1,291,000.

The Group's finance costs for the Year was approximately RMB15,330,000, a significant increase of approximately RMB3,667,000 from approximately RMB11,633,000 in the corresponding period last year. The increase was primarily because that the financial assistance provided by Neptunus Bio-engineering, the Company's immediate parent company, which was interest-free in previous years, started to accrue interest since this Year at one-year loan interest rate stipulated by the People's Bank of China for the corresponding period, resulting in an interest expense of approximately RMB4,709,000 for the Year.

The Group's loss before taxation for the Year decreased from approximately RMB37,476,000 in the corresponding period last year to approximately RMB30,512,000. The decrease in loss was mainly due to the disposal of 9% equity interests in GSK-Neptunus, resulting in a gain of approximately RMB28,674,000, and the acquisition of Neptunus Fuyao which contributed profit before taxation of approximately RMB1,420,000 for the Year.

As such, loss attributable to the owners of the Company amounted to approximately RMB30,104,000 for the Year, compared with approximately RMB37,476,000 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.

As at 31 December 2010, the Group's total borrowings were RMB307,155,000, of which RMB86,000,000 was long-term bank borrowings, RMB82,000,000 was short-term bank borrowings, RMB48,000,000 was entrusted loans from Neptunus Bio-engineering, the Company's controlling shareholder, and approximately RMB91,155,000 was interest-bearing shareholder financial assistance from Neptunus Bio-engineering.

Banking facilities

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 but not limited to the pledge of the domestic shares of the Company then 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 RMB20,000,000 and interest of RMB5,778,000 to CDB in accordance with the repayment schedule stipulated in the CDB Loan Agreement.

On 15 April 2009, Neptunus Bio-engineering entered into a consolidated credit facilities agreement (the "Facilities Agreement") with Longgang Sub-branch of Shenzhen Development Bank Company Limited ("SDB"). During 2009, 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"). Pursuant to the Maximum Amount of Pledge Guarantee Agreement entered into between Neptunus Bio-engineering and Neptunus Pharmaceutical and SDB, Neptunus Bio-engineering and Neptunus Pharmaceutical pledged their respective properties as security for the credit facilities under the Facilities Agreement (including the Credit Loan granted to the Company by SDB). The Company repaid this Credit Loan on 3 June 2010. All of the funds used to repay the Credit Loan were from the special financial assistance from Neptunus Bio-engineering.

As at 31 December 2010, the Group's short-term bank borrowings were RMB 82,000,000, all of which were short-term bank borrowings of Neptunus Fuyao.

On 20 July 2010, Neptunus Fuyao was granted a short-term loan of RMB 5,000,000 from the Fuzhou Branch of Pingan Bank. This loan is bearing an annual interest rate of 5.31% and will be repaid on 19 July 2011.

On 3 August 2010, Neptunus Fuyao was granted a short-term loan of RMB28,000,000 from the Guishan (Fuzhou) Sub-branch of Agricultural Bank of China ("Guishan Sub-branch of ABC") by pledging its buildings and land use rights. This loan is bearing an annual interest rate of 4.779% and will be repaid on 27 July 2011.

On 10 August 2010, Neptunus Fuyao was granted a short-term loan of RMB 29,000,000 from Guishan Sub-branch of ABC, by pledging its buildings and land use rights. This loan is bearing an annual interest rate of 4.779% and will be repaid on 9 August 2011.

On 30 September 2010, Neptunus Fuyao was granted a short-term loan of RMB 20,000,000 from Guishan Sub-branch of ABC. This loan is bearing an annual interest rate of 4.779% and will be repaid on 29 September 2011.

Shareholder's interest-bearing financial assistance

As at 31 December 2010, the financial assistance obtained by the Company from Neptunus Bio-engineering amounted to approximately RMB91,155,000. Such financial assistance was interest-free in prior years and the Company had not pledged its assets as security for such financial assistance. Starting from this Year, the financial assistance from Neptunus Bio-engineering had become interest-bearing at one-year loan interest rate stipulated by the People's Bank of China for the corresponding period.

Shareholder's entrusted loans

Shareholder's entrusted loans obtained by the Company from Neptunus Bio-engineering as at 31 December 2010 amounted to RMB48,000,000.

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 allotment of new H shares by the Company (whichever is earlier). Neptunus Bio-engineering undertook that the repayment date of this entrusted loan be postponed to 26 March 2011. The Company repaid this entrusted loan to Neptunus Bio-engineering on 13 October 2010.

CDB LOAN AGREEMENT

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 then held by it (representing approximately 67.5% of the Company's then issued share capital and approximately 38.08% of the Company's issued share capital at the date of this announcement) 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 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.

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 then held by him (representing approximately 5.04% of the Company's then issued share capital and approximately 2.84% of the Company's issued capital at the date of this announcement) 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 issue of additional H shares in the Company in the future to the Account. If after completion of the issues of additional H shares, the principal amount and accrued interests under the CDB Loan Agreement (together, the "Outstanding Loan") have not been fully repaid, all the funds raised by the Company from the issue of additional H shares 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 interests 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.

NET CURRENT ASSETS

As at 31 December 2010, the Group had net current assets of approximately RMB15,645,000. Current assets comprised cash and cash equivalents of approximately RMB247,056,000, bank guarantee deposits of approximately RMB5,640,000, amounts due from related parties of approximately RMB12,492,000, inventories of approximately RMB89,434,000, prepayments, deposits and other receivables of approximately RMB71,716,000. Current liabilities comprised trade and bills payables of approximately RMB57,524,000, interest-bearing bank borrowings to be repaid within one year of approximately RMB106,000,000, taxes payable of approximately RMB7,846,000, receipts in advance and other payables of approximately RMB51,146,000, amounts due to related parties of approximately RMB188,177,000. The net current liabilities of the Group were approximately RMB11,372,000 as at 31 December 2009. The decrease in the net current liabilities of the Group in the Year was mainly due to the fact that the Group completed the placing of new H Shares on 3 November 2010 and received net proceeds of approximately HK$164,252,000.

PLEDGE OF ASSETS

Pursuant to the loan agreements entered into between the Company's subsidiary Neptunus Fuyao and Guishan Sub-branch of ABC on 3 August 2010 and 10 August 2010 respectively, Neptunus Fuyao pledged part of its lawfully owned land use rights and buildings to Guishan Sub-branch of ABC.

FOREIGN CURRENCY RISK

During the Year, the Group's operating revenue, major selling costs and capital expenditure were denominated in Renminbi. Proceeds from the issue of 189,330,000 new H shares of approximately HK$164,252,000 were not fully translated into RMB in accordance with national foreign exchange regulations. As such, the exchange rate fluctuation of Hong Kong dollars against RMB may affect the Group's profit for the Year. However, the foreign currency risk facing the Group is limited. Currently, 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 announcement.

CAPITAL COMMITMENTS

As at 31 December 2010, the Group has contracted commitments for future capital expenditue of approximately RMB36,143,000. The Board believes that such capital expenditure can be financed by proceeds from the issue of new H shares and bank borrowings.

CONTINGENT LIABILITY

As at 31 December 2010, 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, the aforesaid Fuyao Acquisition and establishing the joint venture company, Taizhou Neptunus, the Company did not make any other major investments.

HUMAN RESOURCES

As at 31 December 2010, the Company employed a total of 34 staff (2009: 30). During the Year, the staff costs including Directors' remuneration which amounted to approximately RMB4,570,000 (2009: approximately RMB7,050,000). 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 2010, the number of employees of the Company categorized by various functions was set out as follows:

	As at 31 December	
	2010	2009
R&D	**23**	22
Administration	**11**	8
Total	**34**	30

Compared with 31 December 2010, the number of employees in administration department slightly increased, which was mainly due to the increase in the numbers of subsidiaries in the Year.

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 2010.

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 (2009: Nil).

DISTRIBUTABLE RESERVES

At 31 December 2010, 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 approximately RMB116,455,000.

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

The Company and its subsidiaries did not purchase, sell or redeem any of the Company's listed shares during the Year. The Company and its subsidiaries 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. 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.

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 throughout the accounting period covered by the annual report.

REVIEW OF FINANCIAL INFORMATION

The Audit Committee has reviewed the Group's annual results for year ended 31 December 2010. The Audit Committee comprises of two independent non-executive Directors and one non-executive Director.

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2010 have been agreed by the Group's auditors, Crowe Horwath (HK) CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the Year. The work performed by Crowe Horwath (HK) 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 Crowe Horwath (HK) CPA Limited on the preliminary announcement.

Report of the Directors

AUDITOR

Crowe Horwath (HK) CPA Limited, Certified Public Accountants, was appointed as the Company's auditor in 2010. The financial statements has been audited by Crowe Horwath (Hk) CPA Limited, 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 Crowe Horwath (HK) CPA Limited as auditor 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

16 March 2011

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 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*