



# 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

## FIRST QUARTERLY REPORT 2012



\* For identification purpose only

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

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*This report, for which the directors (the “Directors”) of Shenzhen Neptunus Interlong Bio-technique Company Limited (the “Company”) collectively and individually accept 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 report 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 report misleading.*

## QUARTERLY RESULTS (UNAUDITED)

The board of Directors (the "Board") of the Company is pleased to present the unaudited consolidated results of the Company and its subsidiaries, Ascendent Bio-Technology Company Limited ("Ascendent"), Fuzhou Neptunus Fuyao Pharmaceutical Company Limited ("Neptunus Fuyao") and Jiangsu Neptunus Bio-pharmaceutical Company Limited ("Jiangsu Neptunus") (collectively the "Group") for the three months ended 31 March 2012 (the "Quarter"), together with the unaudited comparative figures for the corresponding period of 2011.

## CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

For the three months ended 31 March 2012

	Note	For the three months ended 31 March (Unaudited)	
		2012 RMB'000	2011 RMB'000
<b>TURNOVER</b>	4	<b>132,156</b>	128,836
<b>Cost of sales</b>		<b>(80,405)</b>	(85,408)
<b>Gross profit</b>		<b>51,751</b>	43,428
<b>Other revenue</b>	4	<b>2,108</b>	2,841
Selling and distribution expenses		<b>(15,877)</b>	(15,513)
Administrative expenses		<b>(10,986)</b>	(14,150)
Other operating expenses		<b>(6,999)</b>	(3,819)
<b>PROFITS FROM OPERATIONS</b>		<b>19,997</b>	12,787
Finance costs	6	<b>(1,221)</b>	(4,317)
<b>PROFITS BEFORE TAXATION</b>	5	<b>18,776</b>	8,470
Income tax	7	<b>(6,706)</b>	(3,727)
<b>PROFITS FOR THE PERIOD</b>		<b>12,070</b>	4,743
<b>Attributable to:</b>			
Owners of the Company		<b>9,102</b>	2,252
Non-controlling interests		<b>2,968</b>	2,491
Basic and diluted	9	<b>RMB0.54 cents</b>	RMB0.13 cents



## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the three months ended 31 March 2012

	Note	For the three months ended 31 March (Unaudited)	
		2012 RMB'000	2011 RMB'000
Profits for the period		12,070	4,743
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD</b>			
Exchange difference on translation of financial statements of a jointly controlled entity		–	–
<b>TOTAL OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>		–	–
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>12,070</b>	<b>4,743</b>
<b>Attributable to:</b>			
Owners of the Company		9,102	2,252
Non-controlling interests		2,968	2,491
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>12,070</b>	<b>4,743</b>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the three months ended 31 March 2012

	Attributable to owners of the Company						Total	Non-controlling interests	Total equity
	Share capital	Share premium	Capital reserve	Statutory reserve fund	Exchange reserve	Accumulated losses			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2011	167,800	554,844	(194,339)	8,302	(4,155)	(141,610)	390,842	65,026	455,868
<b>Comprehensive income</b>									
Profit for the period	-	-	-	-	-	2,252	2,252	2,491	4,743
At 31 March 2011	<u>167,800</u>	<u>554,844</u>	<u>(194,339)</u>	<u>8,302</u>	<u>(4,155)</u>	<u>(139,358)</u>	<u>393,094</u>	<u>65,517</u>	<u>458,611</u>
At 1 January 2012	<b>167,800</b>	<b>554,844</b>	<b>(194,339)</b>	<b>12,276</b>	-	<b>(123,908)</b>	<b>416,673</b>	<b>69,603</b>	<b>486,276</b>
<b>Comprehensive income</b>									
Profit for the period	-	-	-	-	-	9,102	9,102	2,968	12,070
At 31 March 2012	<u><b>167,800</b></u>	<u><b>554,844</b></u>	<u><b>(194,339)</b></u>	<u><b>12,276</b></u>	<u>-</u>	<u><b>(114,806)</b></u>	<u><b>425,775</b></u>	<u><b>72,571</b></u>	<u><b>498,346</b></u>



## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. Corporate information

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

### 2. Basis of preparation and accounting policies

The unaudited condensed consolidated financial statements for the three months ended 31 March 2012 have been prepared in accordance with the applicable disclosure provision of the GEM Listing Rules on the Stock Exchange, including compliance with Hong Kong Accounting Standard ("HKAS") 34, "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The preparation of the unaudited condensed consolidated financial statements is in conformity with HKAS 34 requiring management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The unaudited condensed consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended 31 December 2011, except for the adoption of the new Hong Kong Financial Reporting Standards ("HKFRSs") and Hong Kong Accounting Standards ("HKASs"). The condensed consolidated financial statements do not include all the information and disclosures required for an annual financial statements, and should be read in conjunction with the financial statements of the Group for the year ended 31 December 2011.

The HKICPA has issued a number of new and revised HKFRSs and Interpretations that are first effective or available for early adoption for the current accounting period of the Company. There have been no significant changes to the accounting policy applied in these financial statements for the periods as a result of the developments.

This unaudited condensed consolidated interim financial information for the period ended 31 March 2012 comprise the Company and its subsidiaries.

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 condensed consolidated statement of quarterly results has not been audited.



### 3. Segment reporting

The Group manages its businesses by divisions which are organised by a mixture of both business lines (products and services) and geography. In a manner consistent with the way in which information is reported internally to the Group's executive directors 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 research and development ("R&D") services of modern biological technology.

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

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

For the purposes of assessing segment performance and allocating resources between segments, the Group's executive directors monitor 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 and other payables attributable to the activities of the individual segments 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.

The measure used for reporting segment profit is "adjusted EBITDA", i.e. "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.

Information regarding the Group's reportable segments as provided to the Group's executive directors for the purposes of resource allocation and assessment performance for the Quarter is set out below:

Information regarding the Group's reportable segments as provided to the Group's executive directors for the purposes of resource allocation and assessment performance as at 31 March 2012 and 2011 is set out below:



As at 31 March	Manufacturing and selling medicine products		R&D services		Total	
	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000
Revenue from external customers	<b>132,156</b>	126,836	–	2,000	<b>132,156</b>	128,836
Inter-segment revenue	–	–	–	–	–	–
<b>Reportable segment revenue</b>	<b>132,156</b>	126,836	–	2,000	<b>132,156</b>	128,836
<b>Reportable segment profit/(loss) (adjusted EBITDA)</b>	<b>25,114</b>	13,476	<b>(1,489)</b>	3,672	<b>23,625</b>	17,148
Interest income from bank deposit	<b>231</b>	203	<b>59</b>	50	<b>290</b>	253
Interest expenses	<b>1,192</b>	1,154	<b>29</b>	3,163	<b>1,221</b>	4,317
Depreciation and amortisation						
– Property, plant and equipment	<b>2,837</b>	3,353	<b>788</b>	1,672	<b>3,625</b>	5,025
– Prepaid lease payment	<b>226</b>	392	–	106	<b>226</b>	498
– Intangible assets	<b>1,383</b>	1,420	<b>2</b>	7	<b>1,385</b>	1,427
<b>Reportable segment assets</b>	<b>598,323</b>	566,681	<b>224,858</b>	425,353	<b>823,181</b>	992,034
Additions to fixed assets (i.e. non-current assets other than financial assets and deferred tax assets) during the period	<b>717</b>	2,675	<b>214</b>	43,087	<b>931</b>	45,762
<b>Reportable segment liabilities</b>	<b>218,195</b>	197,498	<b>59,141</b>	287,170	<b>277,336</b>	484,668



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

	2012 RMB'000	2011 RMB'000
<b>Revenue</b>		
Revenue from external customers	132,156	128,836
Elimination of inter-segment revenue	–	–
Consolidated turnover	<b>132,156</b>	<b>128,836</b>
<b>Profit</b>		
Reportable segment profit	23,625	17,148
Elimination of inter-segment profit	–	–
Reportable segment profit derived from the Group's external customers	23,625	17,148
Other revenue and net revenue	2,108	2,841
Depreciation and amortisation	(5,236)	(6,950)
Finance cost	(1,221)	(4,317)
Unallocated head office and corporate expense	(500)	(252)
Consolidated profit before taxation	<b>18,776</b>	<b>8,470</b>
<b>Assets</b>		
Reportable segment assets	823,181	992,034
Elimination of inter-segment receivables	(12,368)	(485)
	<b>810,813</b>	<b>991,549</b>
Unallocated head office and corporate assets	300	60
Deferred tax assets	1,548	1,898
Consolidated total assets	<b>812,661</b>	<b>993,507</b>
<b>Liabilities</b>		
Reportable segment liabilities	277,336	484,668
Elimination of inter-segment payables	(12,368)	(485)
	<b>264,968</b>	<b>484,183</b>
Current tax liabilities	9,049	8,416
Deferred tax liabilities	40,296	40,296
Consolidated total liabilities	<b>314,313</b>	<b>532,895</b>



#### 4. Turnover and other revenue

The Group's turnover represents the net invoiced value of the goods sold net of value-added tax ("VAT") after allowances for returns and trade discounts. An analysis of turnover and other revenue is as follows:

	For the three months ended 31 March (Unaudited)	
	2012 RMB'000	2011 RMB'000
<b>Turnover</b>		
Sale of medicines	132,156	126,836
R&D service income	–	2,000
	<b>132,156</b>	<b>128,836</b>
<b>Other revenue and gains</b>		
Interest income on bank deposits	291	253
Government subsidy	1,802	2,244
Others	15	344
	<b>2,108</b>	<b>2,841</b>

#### 5. Profit before taxation

Profit before taxation is arrived at after charging/(crediting):

	For the three months ended 31 March (Unaudited)	
	2012 RMB'000	2011 RMB'000
Salaries, wages and other benefits (including Directors' emoluments)	9,022	10,983
Contributions to retirement plan	2,493	2,590
Cost of sales	78,291	84,442
Amortisation of interest in leasehold land held for own use	226	498
Depreciation	3,625	5,025
Amortisation of intangible assets*	1,385	1,427
R&D costs*	4,319	2,349

\* These amounts have been included in "Other operating expenses" on the face of the unaudited condensed consolidated income statement.



## 6. Finance costs

	<b>For the three months ended 31 March (Unaudited)</b>	
	<b>2012 RMB'000</b>	2011 RMB'000
Interest on bank advances wholly repayable within five years	<b>1,192</b>	2,530
Interest on entrusted loans from the immediate parent company	<b>29</b>	481
Interest on financial assistance from the immediate parent company	<b>–</b>	1,306
	<b><u>1,221</u></b>	<u>4,317</u>

## 7. Income tax

Hong Kong profits tax has not been provided for as the Group had no income assessable to Hong Kong profit tax during the Quarter.

The Group's PRC enterprise income tax (the "EIT") for the Quarter is 25%. The Group provided for EIT of approximately RMB6,706,000 for the Quarter.

## 8. Dividends

The Board does not recommend the payment of any dividend for the Quarter (2011: Nil).

## 9. Profit/(loss) per share

During the Quarter, the calculation of basic profit/(loss) per share was based on the unaudited profit attributable to owners of the Company of approximately RMB9,102,000 (2011: profit of RMB2,252,000) and 1,678,000,000 ordinary shares in issue for the Quarter (2011: 1,678,000,000 shares).

Diluted earnings per share for the three-month ended 31 March 2012 and 2011 equals to basic profit per share because there were no potential dilutive ordinary shares outstanding during these periods.



## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

During the Quarter, the Group was principally engaged in various medicine businesses such as herbal medicine, generic drugs, transfusion and anti-tumor drugs and the research and development of modern biological technology (the "R&D Business"). Among which, businesses such as herbal medicine, generic drugs, transfusion and anti-tumor drugs were operated through Neptunus Fuyao and its subsidiaries while the industrialization of biological technology products was operated by our subsidiary, Jiangsu Neptunus. Meanwhile, the Company dedicated itself to the R&D Business of bio-medicine and planned to expand the scale of the R&D of chemosynthetic anti-tumor drugs. The Company also considered operating the business of dietary supplements and foods and the purchase and sales of such products.

### NEPTUNUS FUYAO BUSINESS

Neptunus Fuyao is a subsidiary of the Company. 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 450 approvals in relation to the production of drugs. China's generic drugs market is currently growing rapidly. During the Quarter, Neptunus Fuyao operated normally and recorded an income from principal business totaling approximately RMB132,156,000 while continuing on a steady developing trend.

Pursuant to the notice issued by the State Food and Drug Administration for the implementation of the Administrative Measures Governing the Production Quality of Pharmaceutical Products (2010 Revision) (the "New GMP"), it is required that, the production of sterile products (e.g. blood products, vaccine and injection etc.) of existing medicine manufacturers shall meet the requirements of the Administrative Measures Governing the Production Quality of Pharmaceutical Products (2010 Revision) by 31 December 2013 and the production of medicine in other categories shall meet the requirements of the Administrative Measures Governing the Production Quality of Pharmaceutical Products (2010 Revision) by 31 December 2015. Therefore, Neptunus Fuyao is considering the upgrading and enhancement of a part of the existing production equipment to meet the requirements of the New GMP, which is subject to the approval by the local administrative and managerial departments.

As the existing production capacities of Neptunus Fuyao and its subsidiaries are almost fully utilised, the Group intends to construct a new production base at Lianjiang County, Fuzhou City. The Company intends to grant RMB40,000,000 as a loan or an interest-bearing financial assistance to Neptunus Fuyao for its construction of that new production base. In addition, it is expected that the Company's subsidiary, Shenzhen Neptunus Bio-engineering Co., Ltd. ("Neptunus Bio-engineering") will use approximately RMB80,000,000 to grant a loan or an interest-bearing financial assistance to Neptunus Fuyao or grant it to Neptunus Fuyao indirectly through the Company for its construction of the new production base.

As the preliminary preparation work for the construction of the new production base, the Group established three subsidiaries at Lianjiang County, Fuzhou City. The first subsidiary is Neptunus Fuyao Pharmaceutical (Lianjiang) Co., Ltd. ("Neptunus Fuyao Lianjiang") 海王福藥製藥(連江)有限公司, which is preparing the production of chemical medicine with a registered capital of RMB50,000,000, among which RMB9,500,000 and RMB500,000 was contributed by Neptunus Fuyao and Neptunus Fuyao's subsidiary Fuzhou Neptunus Jinxiang Chinese Pharmaceutical Company Limited ("Neptunus Jinxiang") 福州海王金象中藥製藥有限公司 in cash as at 31 March 2012, which hold 95% and 5% interests in Neptunus Fuyao Lianjiang, respectively. The second subsidiary is Neptunus Jinxiang Chinese Pharmaceutical (Lianjiang) Co., Ltd. ("Neptunus Jinxiang Lianjiang") 海王金象中藥製藥(連江)有限公司, which is preparing the production of Chinese patent medicine with a registered capital of RMB50,000,000, among which RMB500,000 and RMB9,500,000 was contributed by Neptunus Fuyao and Neptunus Jinxiang in cash as at 31 March 2012, which hold 5% and 95% interests in Neptunus Jinxiang Lianjiang, respectively. The third subsidiary is Lianjiang Neptunus Fuyao Foods Trading Co., Ltd. ("Lianjiang Neptunus Foods") 連江縣海王福藥食品貿易有限公司. Its business scope is wholesale and retail of prepackaged foods (批發兼零售預包裝食品) with a registered capital of RMB500,000, among which RMB475,000 and RMB25,000 was contributed by Neptunus Fuyao and Neptunus Jinxiang in cash as at 31 March 2012, which hold 95% and 5% interests in Lianjiang Neptunus Foods, respectively.



On 15 August 2011, the Board of the Company resolved to increase the registered capital of Neptunus Fuyao Lianjiang to RMB112,000,000 from RMB50,000,000, among which RMB106,400,000 and RMB5,600,000 would be contributed by Neptunus Fuyao and Neptunus Jinxiang respectively, to fund the construction of the new production base at Lianjiang County, Fuzhou City.

Subsequent to the end of the Quarter, on 24 April 2012, the paid-in capital of Neptunus Fuyao Lianjiang was increased to RMB50,000,000, in which Neptunus Fuyao and Neptunus Jinxiang hold 95% and 5% interests respectively. On 24 April 2012, the paid-in capital of Neptunus Jinxiang Lianjiang was increased to RMB31,000,000, in which Neptunus Fuyao and Neptunus Jinxiang hold 5% and 95% interests respectively. At present, the registered capital of both Neptunus Fuyao Lianjiang and Neptunus Jinxiang Lianjiang remained to be RMB50,000,000 and RMB50,000,000 respectively.

During the Quarter, the construction land was at the stage of tendering, and Neptunus Fuyao has applied to the relevant local authorities for land to be used for the new production base and applied for tendering the industrial land of 190,000 square meters located at Lianjiang Economic Development District.

On 19 April 2012, Neptunus Fuyao Lianjiang and Neptunus Jinxiang Lianjiang, won two bids at the tender by the Bureau of Land Resources of Lianjiang, Fuzhou City for acquiring two pieces of land located at Aojiangyuan District, Lianjiang County, Fuzhou City at the consideration of approximately RMB22,940,000 and RMB13,280,000, respectively. The parcel number of the two pieces of land were No. 敖江2012-工業-002 and No. 敖江2012-工業-003, with total land area of 121,349 sq.m. and 70,258 sq.m. respectively. The relevant construction work of the new production base in Lianjiang will commence on the two pieces of land.

The Land Use Rights Transfer Contracts will be entered into between Bureau of Land Resources of Lianjiang and Neptunus Fuyao Lianjiang and Neptunus Jinxiang Lianjiang, respectively, after obtaining the relevant approvals and completing the relevant procedures for, inter alia, industrial project, environment assessment and construction planning by the Group.

In March 2012, Neptunus Fuyao received a letter from Fuzhou Land Development Centre (“Land Development Center”), and Land Development Center expressed its intention to acquire the industrial land of Neptunus Fuyao’s existing production base. The Group is communicating preliminarily with Land Development Center for such acquisition intention.

## RECOMBINANT PROTEINS AND POLYPEPTIDE DRUGS BUSINESS

On 10 January 2012, the Company’s subsidiary, Taizhou Neptunus Bio-technique Company Limited (“Taizhou Neptunus”) changed its name to Jiangsu Neptunus Bio-pharmaceutical Company Limited (“Jiangsu Neptunus”), with Mr. Zhang Feng as corporate legal representative and with R&D of bio-pharmaceutical products and sale of class 1 medical equipment as its business scope. Its registered capital was RMB10,000,000.

Jiangsu Neptunus is conducting the research and development on recombinant proteins and polypeptide drugs (including but not limited to recombinant human thymosin 1 for injection). In October 2011, Jiangsu Neptunus conducted phase I clinical trial on recombinant human thymosin 1 for injection, utilizing the “approval for recombinant human thymosin 1 clinical research”, an intangible asset then owned by Neptunus Pharmaceutical. Since phase I clinical trial has proceeded smoothly, the Board of the Company approved to contribute further RMB80,000,000 into Jiangsu Neptunus to increase its registered capital to RMB90,000,000. The contribution of RMB80,000,000 will be made in stages according to construction progress of Taizhou Production Base and progress of foreign exchange translation of the Company. As at the date hereof, Taizhou Production Base of Jiangsu Neptunus is in the stage of purifying renovation, and the construction is properly implemented according to project plan and the progress is smooth.

## R&D BUSINESS

Since 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 Bio-engineering and its subsidiaries. Due to the Company’s own development in R&D Business in this Quarter, no R&D service was provided to Neptunus Bio-engineering and its subsidiaries. The Company also endeavored to seek R&D projects for new products externally, thereby exploring a new direction for its future development.



The Company entered into a technical cooperation agreement with School of Life Sciences, Jilin University on 1 March 2012 to cooperate in R&D of polypeptide and chemicals primarily by microsphere technology and to explore the possibility of establishing a more advanced platform for long term drug delivery technology.

The Company is negotiating with third parties on cooperative R&D and commercialization of bio-technology projects. The Company is also negotiating with Harbin Institute of Technology on cooperative R&D of the Project ET-743 (a chemosynthetic anti-tumor drug).

## FINANCIAL REVIEW

The Group's turnover for the Quarter was approximately RMB132,156,000, representing an increase of approximately 3% from that of approximately RMB128,836,000 in the corresponding period last year. Turnover for the Quarter was mainly derived from sales income of medicine products of a subsidiary, Neptunus Fuyao. Turnover of Neptunus Fuyao increased slightly compared with that of the corresponding period last year.

The Group's gross profit and gross profit margin for the Quarter were approximately RMB51,751,000 and 39% respectively, increasing by RMB8,323,000 and 5% respectively compared with that of the corresponding period last year. The increase in gross profit and gross profit margin was due to the fact that Neptunus Fuyao's sale volume of products with higher gross profit margin represented a higher proportion in the first quarter.

The Group's selling and distribution costs for the Quarter amounted to approximately RMB15,877,000 and maintained at the same level as that of the corresponding period last year.

The Group's administrative expenses for the Quarter amounted to approximately RMB10,986,000, decreasing by approximately RMB3,164,000 from approximately RMB14,150,000 in the corresponding period last year, representing an decrease of approximately 22%. The decrease in administrative expenses was mainly due to the fact that: (i) the R&D expenses of Neptunus Fuyao were reclassified into other operating expenses; and (ii) the appreciation of Renminbi eased off in this Quarter and thus the Company recorded less exchange loss in the Quarter.

The Group's other operating expenses for the Quarter amounted to approximately RMB6,999,000, increasing by approximately RMB3,180,000 compared with that of the corresponding period last year. Upon Neptunus Fuyao becoming a subsidiary of the Company, the Company recorded R&D costs and amortization of intangible assets of approximately RMB4,234,000 and RMB 1,383,000 for the Quarter respectively.

The Group's finance costs for the Quarter was approximately RMB1,221,000, representing a significant decrease of approximately RMB3,096,000 from approximately RMB4,317,000 in the corresponding period last year. The decrease was primarily due to the fact that the Company has repaid the financial subsidy and entrusted loan previously granted by Neptunus Bioengineering in the fourth quarter in 2011 and thus the incurred interest decreased significantly.

The Group's profit after taxation for the Quarter increased to approximately RMB12,070,000 from approximately RMB4,743,000 in the corresponding period last year. The significant increase was mainly due to the fact that: (i) products with higher gross profit margin represented a higher proportion in the turnover of Neptunus Fuyao in the Quarter and turnover of Neptunus Fuyao increased slightly in this Quarter; (ii) the Group's finance costs for the Quarter decreased significantly; and (iii) the Company recorded less exchange loss in this Quarter.

As such, profit attributable to the owners of the Company amounted to approximately RMB9,102,000 for the Quarter, compared with profit of approximately RMB2,252,000 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.

On 31 March 2012, total borrowings of the Group amounted to approximately RMB115,000,000, of which RMB76,000,000 was short-term bank borrowings and RMB39,000,000 was shareholder's entrusted loan.

### Banking facilities

As at 31 March 2012, the Group's short-term bank borrowings were RMB76,000,000, all of which were short-term bank borrowings of Neptunus Fuyao.

On 29 July 2011, Neptunus Fuyao was granted a short-term loan of RMB27,000,000 from the Gushan (Fuzhou) Sub-branch of Agricultural Bank of China ("ABC") by pledging its land use rights and buildings. This loan is bearing an annual interest rate of 6.232% and will be repaid on 28 July 2012.

On 8 August 2011, Neptunus Fuyao was granted a short-term loan of RMB29,000,000 from ABC, by pledging its land use rights and buildings. This loan is bearing an annual interest rate of 6.232% and will be repaid on 7 August 2012.

Neptunus Bio-engineering provided guarantees to Neptunus Fuyao, by which Neptunus Fuyao was granted 4 one-year short-term bank loans from ABC of RMB10,000,000, RMB3,000,000, RMB3,000,000 and RMB4,000,000 on 8 October, 24 November, 14 December and 30 December 2011 respectively, totaling RMB20,000,000, bearing interest rate of 6.232% per annum.

### Shareholder's interest-bearing financial assistance

As at 31 March 2012, the Company has repaid all interest-bearing financial assistance from Neptunus Bio-engineering, with outstanding accrued interest thereof amounting to approximately RMB5,103,000.

### Shareholder's entrusted loans

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.

On 26 March 2012, the Company obtained another shareholder's entrusted loan of RMB30,000,000 from Neptunus Bio-engineering through an entrusted loan agreement with Bank of Hangzhou. This shareholder's entrusted loan is unsecured, bears a monthly interest of 0.5% and is repayable on 26 June 2012. The Company granted the proceeds from the entrusted loan to Neptunus Fuyao by way of shareholder's interest-bearing financial assistance for tendering for the land used for the new production base in Lianjiang in April 2012.



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

As far as the Directors or supervisors of the Company are aware, as at 31 March 2012, the interests and short positions of the Directors, supervisors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations which were required to be notified to the Company and the Stock Exchange pursuant to Part XV of the Securities and Futures Ordinance (the "SFO") (including interests which they were taken or deemed to have under such provisions of the SFO), or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to the "required standard of dealings" for directors as set out in Rule 5.46 of the GEM Listing Rules to be notified to the Company and the Stock Exchange or had otherwise notified to the Company were as follows:

*Long positions in the shares of the Company:*

Director/supervisor	Capacity	Type of interests	Number of domestic shares held	Approximate percentage of all the domestic shares	Approximate percentage of the Company's issued share capital
Mr. Chai Xiang Dong (Note 1)	Beneficial owner	Personal	47,671,000	3.80%	2.84%
Mr. Yu Jun (Note 2)	Beneficial owner	Personal	1,014,000	0.08%	0.06%

Notes:

- 1 Executive director and general manager of the Company
- 2 Supervisor and employee of the Company

*Long positions in shares of associated corporations of the Company:*

Director	Capacity	Type of Interests	Name of associated corporation	Number of shares held in associated corporation	Approximate percentage of the associated corporation's issued share capital
Mr. Zhang Feng (Note (a))	Beneficial owner	Personal	Neptunus Bio-engineering	532,437	0.08%
Mr. Liu Zhan Jun (Note (b))	Beneficial owner	Personal	Neptunus Bio-engineering	266,217	0.04%
Ms. Yu Lin (Note (c))	Beneficial owner	Personal	Neptunus Bio-engineering	79,864	0.01%



Notes:

- (a) Mr. Zhang Feng, who is the deputy chairman of the board of directors of Neptunus Bio-engineering, was beneficially interested in approximately 0.08% of the entire issued share capital of Neptunus Bio-engineering, the Company's controlling shareholder, which in turn was beneficially interested in approximately 70.38% of the entire issued share capital of the Company as at 31 March 2012.
- (b) Mr. Liu Zhan Jun, who is a director and president of Neptunus Bio-engineering, was beneficially interested in approximately 0.04% of the entire issued share capital of Neptunus Bio-engineering, the Company's controlling shareholder, which in turn was beneficially interested in approximately 70.38% of the entire issued share capital of the Company as at 31 March 2012.
- (c) Ms. Yu Lin, who is a director and vice-president of Neptunus Bio-engineering, was beneficially interested in approximately 0.01% of the entire issued share capital of Neptunus Bio-engineering, which in turn was beneficially interested in approximately 70.38% of the entire issued share capital of the Company as at 31 March 2012.

Save as disclosed above, as at 31 March 2012, none of the Directors, supervisors or chief executives of the Company nor their respective associates held any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the "required standard of dealings" for directors as set out in Rule 5.46 of the GEM Listing Rules.

## SHARE OPTION SCHEME, CONVERTIBLE SECURITIES AND WARRANTS

Up to 31 March 2012, the Company and its subsidiaries have not adopted any share option scheme and have not granted any option, convertible securities, warrants or other similar rights.

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

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



## SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

So far as the Directors and supervisors of the Company are aware, as at 31 March 2012, the interests and/or short positions held by shareholders (not being a director, a supervisor or a chief executive of the Company) in shares or underlying shares of the Company which were required to be entered in the register pursuant to Section 336 of the SFO or had otherwise notified to the Company were as follows:

*Long positions in the shares of the Company:*

<b>Name of substantial shareholder</b>	<b>Capacity</b>	<b>Number of domestic shares held</b>	<b>Approximate percentage of all the domestic shares</b>	<b>Approximate percentage of the Company's issued share capital</b>
Neptunus Bio-engineering	Beneficial owner	1,181,000,000	94.33%	70.38%
Shenzhen Neptunus Group Company Limited ("Neptunus Group") (Note (a))	Interest in controlled corporation	1,181,000,000	94.33%	70.38%
Ankeen Enterprises Limited ("Ankeen Enterprises") (Note (b))	Interest in controlled corporation	1,181,000,000	94.33%	70.38%
Ms. Wang Jin Song (Note (c))	Interest in controlled corporation	1,181,000,000	94.33%	70.38%

Notes:

- (a) Neptunus Group was deemed to be interested in 1,181,000,000 domestic shares of the Company held by Neptunus Bio-engineering as Neptunus Group was beneficially interested in approximately 27.66% of the entire issued share capital of Neptunus Bio-engineering.
- (b) Ankeen Enterprises was deemed to be interested in 1,181,000,000 domestic shares of the Company held by Neptunus Bio-engineering as Ankeen Enterprises was beneficially interested in approximately 41.9% of the entire issued share capital of Neptunus Group, which in turn was beneficially interested in approximately 27.66% of the entire issued share capital of Neptunus Bio-engineering.
- (c) Ms. Wang Jin Song ("Ms. Wang") was deemed to be interested in 1,181,000,000 domestic shares of the Company held by Neptunus Bio-engineering as Ms. Wang was beneficially interested in 85% of the entire issued share capital of Ankeen Enterprises, which in turn was beneficially interested in approximately 41.9% of the entire issued share capital of Neptunus Group, which in turn was beneficially interested in approximately 27.66% of the entire issued share capital of Neptunus Bio-engineering.

Save as disclosed above, the Directors and supervisors of the Company are not aware of any other persons (except the Directors, supervisors or chief executives of the Company) who held any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO as at 31 March 2012.



## PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

The Company and its subsidiaries did not purchase, redeem or sell any of the Company's listed securities during the Quarter. The Company and its subsidiaries also did not redeem, purchase or cancel any of their redeemable securities.

## COMPETING INTERESTS

On 21 August 2005, Neptunus Bio-engineering, the controlling shareholder of the Company, entered into an agreement with the Company, in relation to non-competition undertakings and priority investment rights (the "Non-Competition Undertakings"), pursuant to which Neptunus Bio-engineering had undertaken to the Company and its associates that, inter alia, as long as the securities of the Company are listed on GEM:

1. it will not, and will procure its associates not to whether within or outside the PRC, directly or indirectly or by any means, participate in or operate any business which may constitute direct or indirect competition with the business operated by the Company from time to time, or produce any products, the usage of which is the same as or similar to that of the products of the Company (other than those indirectly held as a result of the equity interest in any listed company or its subsidiaries); and
2. it will not, and will procure its associates not to hold any interest, whether within or outside the PRC, in any company or organization (directly or indirectly, other than indirectly held as a result of its equity interest in any listed company or its subsidiaries) when the business of such company or organisation will (or may) compete directly or indirectly with the business of the Company.

Pursuant to the Non-Competition Undertakings, during the term of such Undertakings, when Neptunus Bio-engineering or its associates enter into any negotiations, within or outside the PRC, in relation to any new investment project which may compete with the existing and future business of the Company, the Company shall have a preferential right of investment in such investment projects.

## CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the Quarter, the Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the "required standard of dealings" 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 confirmed that they have not conducted any transaction in respect of the Company's securities during the Quarter. The Company is not aware of any violation by the Directors on the "required standard of dealings" and the Company's code of conduct regarding securities transactions by the Directors.

## AUDIT COMMITTEE

The Company established an Audit Committee (the "Audit Committee") on 21 August 2005. The primary duties of the Audit Committee are to review the Company's annual report and financial statements, half-yearly reports and quarterly reports, and to provide suggestions and opinions thereon to the Board. In addition, the Audit Committee members will also meet with the management to review the accounting principles and practices adopted by the Company and to discuss matters relating to the auditing, internal control system and financial reporting process of the Company. The Audit Committee comprises one non-executive director of the Company, namely Ms. Yu Lin and two independent non-executive Directors, namely Mr. Yick Wing Fat, Simon and Mr. Poon Ka Yeung. Mr. Yick Wing Fat, Simon is the chairman of the Audit Committee.

The Audit Committee has reviewed the unaudited condensed results of the Group for the Quarter.



## COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICE

As the Directors are aware, during the Quarter, the Company has complied with the requirements under the “Code on Corporate Governance Practice” set out in Appendix 15 and under “Corporate Governance Report” set out in Appendix 16 to the GEM Listing Rules. The Board will continue to enhance the standard of corporate governance of the Company to ensure that the Company will operate its business in an honourable and responsible manner.

On behalf of the Board  
**Shenzhen Neptunus Interlong Bio-technique Company Limited**  
**Zhang Feng**  
*Chairman*

Shenzhen, the PRC, 11 May 2012

*As at the date of this report, the executive Directors of the Company are Mr. Zhang Feng, Mr. Chai Xiang Dong and Mr. Xu Yan He; the non-executive Directors are Mr. Liu Zhan Jun, Ms. Yu Lin and Mr. Ren De Quan; and the independent non-executive Directors are Mr. Yick Wing Fat, Simon, Mr. Poon Ka Yeung and Mr. Huang Yao Wen.*