



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

INTERIM 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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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.

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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.

INTERIM RESULTS (UNAUDITED)

The board of Directors (the "Board") of the Company is pleased to present the unaudited condensed consolidated financial statements of the Company and its subsidiaries, (collectively the "Group") for the six months ended 30 June 2012 (the "Relevant Period"), together with the unaudited comparative figures for the corresponding period of 2011.

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

For the three months and six months ended 30 June 2012

	Note	For the three months ended 30 June (Unaudited)		For the six months ended 30 June (Unaudited)	
		2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000
CONTINUING OPERATIONS					
TURNOVER	4	140,711	111,879	272,867	240,715
Cost of sales		(84,581)	(71,757)	(164,986)	(157,165)
Gross profit	4	56,130	40,122	107,881	83,550
Other revenue	4	5,113	2,261	7,221	5,098
Other net income	4	1,073	587	1,073	587
Selling and distribution expenses		(16,232)	(12,261)	(32,109)	(27,774)
Administrative expenses		(10,910)	(11,773)	(21,896)	(22,484)
Other operating expenses		(9,112)	(3,771)	(16,111)	(7,590)
PROFIT FROM OPERATIONS		26,062	15,165	46,059	31,387
Finance costs	6	(1,949)	(3,185)	(3,170)	(7,502)
PROFIT BEFORE TAXATION	5	24,113	11,980	42,889	23,885
Income tax	7	(3,132)	(4,790)	(9,838)	(8,517)
PROFIT FOR THE PERIOD FROM CONTINUING OPERATION		20,981	7,190	33,051	15,368
DISCONTINUED OPERATIONS					
Loss from discontinued operations	9	-	(3,279)	-	(6,714)
Profit for the period		20,981	3,911	33,051	8,654



CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED) (Continued)

For the three months and six months ended 30 June 2012

	Note	For the three months ended 30 June (Unaudited)		For the six months ended 30 June (Unaudited)	
		2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000
Attributable to:					
Owners of the Company		16,386	1,496	25,488	3,756
Non-controlling interests		4,595	2,415	7,563	4,898
		<u>20,981</u>	<u>3,911</u>	<u>33,051</u>	<u>8,654</u>
EARNINGS PER SHARE					
From continuing and discontinued operations					
Basic and diluted	10	<u>RMB0.98 cents</u>	<u>RMB0.09 cents</u>	<u>RMB1.52 cents</u>	<u>RMB0.22 cents</u>
From continuing operations					
Basic and diluted	10	<u>RMB0.98 cents</u>	<u>RMB0.28 cents</u>	<u>RMB1.52 cents</u>	<u>RMB0.62 cents</u>



CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the three months and six months ended 30 June 2012

	For the three months ended 30 June (Unaudited)		For the six months ended 30 June (Unaudited)	
	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000
Profit for the period	20,981	3,911	33,051	8,654
Other comprehensive income for the period				
Other comprehensive income for the period, net of tax	–	–	–	–
Total other comprehensive income for the period, net of tax	–	–	–	–
Total comprehensive income for the period	20,981	3,911	33,051	8,654
Total comprehensive income attributable to:				
Owners of the Company	16,386	1,496	25,488	3,756
Non-controlling interests	4,595	2,415	7,563	4,898
	20,981	3,911	33,051	8,654



CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

As at 30 June 2012

	Note	As at 30 June 2012 (Unaudited) RMB'000	As at 31 December 2011 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	11	147,327	131,045
Prepaid lease payments		69,514	70,299
Intangible assets		134,131	135,376
Deposit for acquisition of property, plant and equipment		3,271	5,369
Deposit for acquisition of land		17,330	8,630
Available-for-sale investments		300	300
Deferred tax assets		1,563	1,548
		373,436	352,567
CURRENT ASSETS			
Inventories		114,862	94,334
Trade and other receivables	12	108,387	77,573
Pledged bank deposits		4,813	10,168
Cash and cash equivalents		259,067	226,675
		487,129	408,750
CURRENT LIABILITIES			
Trade and other payables	13	169,222	132,226
Interest-bearing bank borrowings	14	81,000	76,000
Entrusted loans from the immediate parent company		39,000	9,000
Current taxation		9,821	6,076
		(299,043)	(223,302)
NET CURRENT ASSETS		188,086	185,448
TOTAL ASSETS LESS CURRENT LIABILITIES		561,522	538,015
NON-CURRENT LIABILITIES			
Deferred revenue		5,899	11,443
Deferred tax liabilities		40,296	40,296
		(46,195)	(51,739)
NET ASSETS		515,327	486,276
EQUITY			
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital		167,800	167,800
Reserves		274,361	248,873
		442,161	416,673
NON-CONTROLLING INTERESTS		73,166	69,603
TOTAL EQUITY		515,327	486,276

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 June 2012

	Attributable to owners of the Company						Non-controlling interests	Total equity	
	Issued share capital	Share premium	Capital reserve	Statutory reserve fund	Exchange reserve	Accumulated loss			
	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
Change in equity for 2011									
Profit for the period	-	-	-	-	-	3,756	3,756	4,898	8,654
Other comprehensive income for the period, net of tax	-	-	-	-	-	-	-	-	-
Total comprehensive income for the period, net of tax	-	-	-	-	-	3,756	3,756	4,898	8,654
Acquisition of non-controlling interests in subsidiary	-	-	-	-	-	(10)	(10)	(190)	(200)
At 30 June 2011	<u>167,800</u>	<u>554,844</u>	<u>(194,339)</u>	<u>8,302</u>	<u>(4,155)</u>	<u>(137,864)</u>	<u>394,588</u>	<u>69,734</u>	<u>464,322</u>
At 1 January 2012	167,800	554,844	(194,339)	12,276	-	(123,908)	416,673	69,603	486,276
Change in equity for 2012									
Profit for the period	-	-	-	-	-	25,488	25,488	7,563	33,051
Other comprehensive income for the period, net of tax	-	-	-	-	-	-	-	-	-
Total comprehensive income for the period, net of tax	-	-	-	-	-	-	-	-	-
Dividend paid from subsidiary to non-controlling interests	-	-	-	-	-	-	-	(4,000)	(4,000)
At 30 June 2012	<u>167,800</u>	<u>554,844</u>	<u>(194,339)</u>	<u>12,276</u>	<u>-</u>	<u>(98,420)</u>	<u>442,161</u>	<u>73,166</u>	<u>515,327</u>



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

For the six months ended 30 June 2012

	For the six months ended 30 June	
	2012 (Unaudited) RMB'000	2011 (Unaudited) RMB'000
NET CASH GENERATED FROM OPERATING ACTIVITIES	30,135	13,470
NET CASH USED IN INVESTING ACTIVITIES	(25,572)	(72,178)
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES	27,829	(73,102)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	32,392	(131,810)
Cash and cash equivalents at the beginning of period	226,675	247,056
CASH AND CASH EQUIVALENTS AT END OF PERIOD	259,067	115,246



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 six months ended 30 June 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 in conformity with HKAS 34 requires the management to make judgements, estimates and assumptions that affect the application of policies and the 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 30 June 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"), which is also the functional currency of the Company and all amounts are rounded to the nearest thousand except where otherwise indicated.

The condensed consolidated financial statements of quarterly financial information is unaudited.



3. Segment reporting

The Group manages its business by divisions, which are organized 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 resources allocation and performance assessment, the Group has presented the following two reportable segments. No operating segments have been aggregated to form the following reportable segments.

- (i) Manufacturing and selling of pharmaceutical products
- (ii) Provision of R & D services of modern biological technology

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

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

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

(a) Segment results, assets and liabilities

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

Segment assets include all tangible, intangible assets and current assets with the exception of deferred tax assets and other corporate assets. Segment liabilities include segmental business 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 segments profit is "adjusted EBITDA" i.e. "adjusted earnings before interest, taxes, depreciation and amortisation", where "interest" is regarded as including investment income and "depreciation and amortisation" is regarded as including impairment losses on non-current assets. To arrive at adjusted EBITDA the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as directors' and auditors' 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, amortisation and impairment losses and additions to non-current segment assets used by the segments in their operations. Intersegment 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 period ended 30 June 2012 and 2011 is set out below:

The operation in a jointly controlled entity was discontinued in 2011, the segment information reported on the followings does not include any amounts for the discontinued operation.

For the six months ended 30 June	Continuing operations					
	Manufacturing and selling of pharmaceutical products		R & D service		Total	
	2012 Unaudited RMB'000	2011 Unaudited RMB'000	2012 Unaudited RMB'000	2011 Unaudited RMB'000	2012 Unaudited RMB'000	2011 Unaudited RMB'000
Segment revenue						
Revenue from external customers	272,867	238,715	–	2,000	272,867	240,715
Inter-segment revenue	–	–	–	–	–	–
Reportable segment	<u>272,867</u>	<u>238,715</u>	<u>–</u>	<u>2,000</u>	<u>272,867</u>	<u>240,715</u>
Reportable segment profit/(loss) before taxation	<u>56,114</u>	<u>41,845</u>	<u>(6,881)</u>	<u>(4,394)</u>	<u>49,233</u>	<u>37,451</u>
Interest income from bank deposits	483	395	121	139	604	534
Interest expenses	3,060	2,256	110	5,246	3,170	7,502
Depreciation and amortisation						
– Property, plant and equipment	6,597	6,389	1,597	1,572	8,194	7,961
– Prepaid lease payment	785	785	–	–	785	785
– Intangible assets	1,975	1,975	4	14	1,979	1,989
Reversal of impairment on trade receivables	(1,073)	(587)	–	–	(1,073)	(587)
Impairment on other receivables	33	–	–	–	33	–
Written down of inventory	459	2	–	–	459	2
Income tax expense	<u>9,838</u>	<u>8,759</u>	<u>–</u>	<u>(242)</u>	<u>9,838</u>	<u>8,517</u>



Continuing operations

	Manufacturing and selling of pharmaceutical products		R & D service		Total	
	30 June 2012 Unaudited RMB'000	31 December 2011 Audited RMB'000	30 June 2012 Unaudited RMB'000	31 December 2011 Audited RMB'000	30 June 2012 Unaudited RMB'000	31 December 2011 Audited RMB'000
Reportable segment assets	693,336	584,667	223,801	174,850	917,137	759,517
Additions to non-current assets (other than financial instruments and deferred tax assets)	3,087	12,341	21,412	1,590	24,499	13,931
Reportable segment liabilities	180,712	196,594	55,974	32,123	236,686	228,717

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

	Six months ended 30 June	
	2012 (Unaudited) RMB'000	2011 (Unaudited) RMB'000
Revenue		
Reportable segment revenue	272,867	240,715
Elimination of inter-segment revenue	–	–
Consolidated turnover	272,867	240,715
Profit/(loss)		
Reportable segment profit	49,233	37,451
Elimination of inter-segment profit	–	–
Reportable segment profit derived from the Group's external customers	49,233	37,451
Other revenue and other net income	8,294	5,685
Depreciation and amortisation	(10,958)	(10,735)
Finance costs	(3,170)	(7,502)
Unallocated head office and corporate expense	(510)	(1,014)
Consolidated profit before taxation	42,889	23,885



	At 30 June 2012 (Unaudited) RMB'000	At 31 December 2011 (Audited) RMB'000
Assets		
Reportable segment assets	917,137	759,517
Elimination of inter-segment receivables	(58,435)	(48)
	858,702	759,469
Unallocated head office and corporate assets	300	300
Deferred tax assets	1,563	1,548
Consolidated total assets	860,565	761,317
Liabilities		
Reportable segment liabilities	236,686	228,717
Elimination of inter-segment payables	58,435	(48)
	295,121	228,669
Tax payable	9,821	6,076
Deferred tax liabilities	40,296	40,296
Unallocated head office and corporate liabilities	–	–
Consolidated total liabilities	345,238	275,041

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 and net invoiced value of R & D services provides net of sale tax. An analysis of turnover and other revenue is as follows:

	For the three months ended 30 June		For the six months ended 30 June	
	2012 (Unaudited) RMB'000	2011 (Unaudited) RMB'000	2012 (Unaudited) RMB'000	2011 (Unaudited) RMB'000
Turnover				
Sale of medicines	140,711	111,879	272,867	238,715
R & D service income	–	–	–	2,000
	140,711	111,879	272,867	240,715



	Continuing operations for the three months ended 30 June		Discontinued for the three months ended 30 June		Consolidated for the three months ended 30 June		Continuing operations for the six months ended 30 June		Discontinued operations for the six months ended 30 June		Consolidated for the six months ended 30 June	
	2012 (Unaudited) RMB'000	2011 (Unaudited) RMB'000	2012 (Unaudited) RMB'000	2011 (Unaudited) RMB'000	2012 (Unaudited) RMB'000	2011 (Unaudited) RMB'000	2012 (Unaudited) RMB'000	2011 (Unaudited) RMB'000	2012 (Unaudited) RMB'000	2011 (Unaudited) RMB'000	2012 (Unaudited) RMB'000	2011 (Unaudited) RMB'000
Other revenue												
Exchange gain	480	-	-	-	480	-	480	-	-	-	480	-
Interest income from bank deposits	313	285	-	4	313	289	604	534	-	8	604	542
Subsidy income released from deferred revenue	4,122	1,964	-	-	4,122	1,964	5,924	4,208	-	-	5,924	4,208
Other	198	12	-	-	198	12	213	356	-	-	213	356
	5,113	2,261	-	4	5,113	2,265	7,221	5,098	-	8	7,221	5,106
Other net income												
Reversal of impairment on trade receivables	1,073	587	-	-	1,073	587	1,073	587	-	-	1,073	587

5. Profit before taxation

	Continuing operations for the three months ended 30 June		Discontinued for the three months ended 30 June		Consolidated for the three months ended 30 June		Continuing operations for the six months ended 30 June		Discontinued operations for the six months ended 30 June		Consolidated for the six months ended 30 June	
	2012 (Unaudited) RMB'000	2011 (Unaudited) RMB'000	2012 (Unaudited) RMB'000	2011 (Unaudited) RMB'000	2012 (Unaudited) RMB'000	2011 (Unaudited) RMB'000	2012 (Unaudited) RMB'000	2011 (Unaudited) RMB'000	2012 (Unaudited) RMB'000	2011 (Unaudited) RMB'000	2012 (Unaudited) RMB'000	2011 (Unaudited) RMB'000
(a) Staff costs (including director's emoluments)												
Salaries, wages and other benefits	12,305	6,357	-	956	12,305	7,313	21,327	16,059	-	2,237	21,327	18,296
Contributions to defined contribution retirement plan	2,381	1,405	-	88	2,381	1,493	4,874	3,864	-	219	4,874	4,083
	14,686	7,762	-	1,044	14,686	8,806	26,201	19,923	-	2,456	26,201	22,379
(b) Other item												
Cost of inventories	83,459	64,620	-	-	83,459	64,620	161,750	149,062	-	-	161,750	149,062
Amortisation												
- prepaid lease payments	559	394	-	105	559	499	785	785	-	212	785	997
- Intangible assets*	594	562	-	-	594	562	1,979	1,989	-	-	1,979	1,989
Depreciation	4,569	3,817	-	1,158	4,569	4,975	8,194	7,961	-	2,039	8,194	10,000
R & D costs*	9,154	2,580	-	-	9,154	2,580	13,473	4,910	-	19	13,473	4,929
Operating lease charges:												
minimum lease payment	970	498	-	-	970	498	2,600	538	-	-	2,600	538
Impairment on other receivables*	33	-	-	-	33	-	33	-	-	-	33	-
Loss on disposal of property, plant and equipment*	1	631	-	-	1	631	1	631	-	-	1	631
Written down of inventory*	264	2	-	-	264	2	459	2	-	-	459	2
Auditor's remuneration												
- other services	250	410	-	-	250	410	250	410	-	-	250	410

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



6. Finance costs

	For the three months ended 30 June		For the six months ended 30 June	
	2012 (Unaudited) RMB'000	2011 (Unaudited) RMB'000	2012 (Unaudited) RMB'000	2011 (Unaudited) RMB'000
Interest on bank loans wholly repayable within five years	1,370	1,424	2,562	3,954
Interest on entrusted loans from the immediate parent company	456	486	485	967
Interest on financial assistance from the immediate parent company	–	1,275	–	2,581
Interest on financial assistance from a fellow subsidiary	123	–	123	–
Total interest expense on financial liabilities not at fair value through profit or loss	1,949	3,185	3,170	7,502

7. Income tax

Income tax in the condensed consolidated income statement represents:

	For the three months ended 30 June		For the six months ended 30 June	
	2012 (Unaudited) RMB'000	2011 (Unaudited) RMB'000	2012 (Unaudited) RMB'000	2011 (Unaudited) RMB'000
Current tax				
Provision for PRC Enterprise Income Tax	3,147	5,033	9,853	8,760
Deferred tax				
Origination and reversal of temporary differences	(15)	(243)	(15)	(243)
	3,132	4,790	9,838	8,517

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

The PRC enterprise income tax ("EIT") for the Relevant Period is 25%. A subsidiary of the Group was qualified as high-tech enterprise and is entitled to a reduction in tax rate. Accordingly, the subsidiary's EIT for the Relevant Period was provided at the rate of 15%.

8. Dividends

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



9. Discontinued operation

On 13 June 2011, the Company and GlaxoSmithKline Pte Limited (“GSK”) entered into the agreement pursuant to which the Company agreed to sell the 51% equity interests of Shenzhen GSK Neptunus Biologicals Co., Ltd. (“GSK-Neptunus”) to GSK at the consideration of USD39,000,000, subject to the terms and conditions of the agreement. On September 2011, the transaction was completed and GSK Neptunus ceased to be a jointly controlled entity of the Company.

The last year results of the discontinued operations included in the condensed consolidated income statement, condensed consolidated statement of comprehensive income and condensed consolidated statement of cash flows are set out below.

	Note	For the three months ended 30 June (Unaudited)		For the six months ended 30 June (Unaudited)	
		2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000
TURNOVER		–	–	–	–
Cost of sales		–	–	–	–
Gross profit		–	–	–	–
Other revenue	4	–	4	–	8
Selling and distribution expenses		–	–	–	–
Administrative expenses		–	(3,283)	–	(6,722)
Other operating expenses		–	–	–	–
LOSS FROM OPERATIONS		–	(3,279)	–	(6,714)
Finance costs		–	–	–	–
LOSS BEFORE TAXATION		–	(3,279)	–	(6,714)
Income tax		–	–	–	–
LOSS FOR THE PERIOD FROM DISCONTINUED OPERATION		–	(3,279)	–	(6,714)
Attributable to: Owners of the Company		–	(3,279)	–	(6,714)



Cash flows from discontinued operations

	For the six months ended 30 June (Unaudited)	
	2012 RMB'000	2011 RMB'000
Net cash used in operation activities	–	(15,694)
Net cash used in investing activities	–	(24,649)
Net cash generated from financing activities	–	40,000
Net cash outflows	–	(343)

10. Earnings per share

Basis earnings per share from continuing and discontinued operation

For the three-month and six-month periods ended 30 June 2012, the calculation of basic earnings per share was based on the profit attributable to owners of the Company of approximately RMB16,386,000 and RMB25,488,000 respectively (three-month and six-month periods ended 30 June 2011: profit of approximately RMB1,496,000 and RMB3,756,000 respectively) and the weighted average number of 1,678,000,000 ordinary shares in issue for the three-month and six-month periods ended 30 June 2012 (2011: 1,678,000,000 ordinary shares).

From continuing operation

For the three-month and six-month periods ended 30 June 2012, the calculation of basic earnings per share from continuing operation was based on the profit attributable to owners of the Company of approximately RMB16,386,000 and RMB25,488,000 respectively (three-month and six-month periods ended 30 June 2011: profit of approximately RMB4,775,000 and RMB10,470,000 respectively) and the denominators used are same as those detailed above for basic earnings per share from continuing and discontinued operation.

From discontinued operations

For the three-month and six-month periods 30 June 2011, the calculation of basic loss per share from discontinued operations was based on the loss attributable to owners of the Company of approximately RMB3,279,000 and RMB6,714,000 respectively, and the denominators used are same as those detailed above for basic earnings per share from continuing and discontinued operation.

The basic loss from discontinued operations was RMB0.19 cents and RMB0.4 cents for the three-month and six-month periods ended 30 June 2011 respectively.

From continuing and discontinued operations

Diluted earnings per share

Diluted earnings/(loss) per share for the three-month and six-month periods ended 30 June 2012 and 2011 equals to basis earnings/(loss) per share because there were no potential dilutive ordinary shares outstanding during these periods.



11. Property, plant and equipment

During the Relevant Period, property, plant and equipment purchased and disposed of by the Group were approximately RMB24,499,000 (30 June 2011: RMB43,907,000) and RMB25,000 (30 June 2011: 4,803,000) respectively.

12. Trade and other receivables

Included in trade and other receivables are trade receivables, the aging analysis of which, based on the invoice date, is as follows:

	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
Within 3 months	70,623	42,065
More than 3 months but less than 12 months	10,352	18,449
Over 12 months	954	284
Trade receivables, net	81,929	60,798
Amount due from fellow subsidiaries	4,645	4,097
Amount due from immediate parent company	4,411	2,161
Amount due from related companies	2,654	3,107
Other receivables	7,531	2,922
Loans and receivables	101,170	73,085
Prepayments and deposits	7,217	4,488
	108,387	77,573

13. Trade and other payables

Included in trade and other payables are trade payables, the aging analysis of which, based on the invoice date, is as follows:

	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
Within 3 months	71,504	50,830
4 to 6 months	21,813	10,923
7 to 12 months	1,680	7,577
Over 1 year	2,569	3,043
Trade payables	97,566	72,373
Receipts in advances	6,838	5,497
Other payables and accruals	32,424	35,056
Amount due to fellow subsidiaries	10,711	867
Amount due to immediate parent company	18,482	18,433
Amount due to non-controlling interests	3,201	–
Financial liabilities measured at amortised cost	169,222	132,226

14. Interest-bearing bank borrowings

		Effective interest rate	Maturity	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
Short-term bank loan					
– secured	(a)	6.232%-7.216%	2012-2013	81,000	76,000
				81,000	76,000
Interest-bearing bank borrowings repayable:					
Within 1 year or on demand				81,000	76,000
After 1 year but within 2 years				–	–
After 2 years but within 5 years				–	–
After five years				–	–
				81,000	76,000

Note:

- a) During the Relevant Period, the Group's short-term bank loans of RMB81,000,000 were secured by:
- i) On 29 July 2011, Fuzhou Neptunus Fuyao Pharmaceutical Company Limited ("Neptunus Fuyao") was granted a short-term loan of RMB27,000,000 from the Gushan (Fuzhou) Sub-branch of Agricultural Bank of China (the "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;
 - ii) On 8 August 2011, Neptunus Fuyao was granted a short-term loan of RMB29,000,000 from the 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;
 - iii) On 8 October, 24 November, 14 December and 30 December 2011, Neptunus Fuyao was granted short-term loans of RMB10,000,000, RMB3,000,000, RMB3,000,000 and RMB 4,000,000 from the ABC respectively. The loans are guaranteed by Shenzhen Neptunus Bio-engineering Co., Ltd. ("Neptunus Bio-engineering"), bearing an annual interest rate of 6.232% and will be repaid on 7 October, 23 November, 13 December, 29 December 2012 respectively; and
 - iv) On 7 May 2012, Neptunus Fuyao was granted a short-term loan of RMB5,000,000 from the Jincheng (Fuzhou) Sub-branch of Fujian Haixia Bank. This loan is guaranteed by Neptunus Bio-engineering, bearing an annual interest rate of 7.216% and will be repaid on 6 February 2013.



15. Commitments

- (a) Capital commitments outstanding at 30 June 2012 authorised and not provided for in the financial statements were as follows:

	The Group	
	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
Property, plant and equipment		
Contracted for, but not provided for:		
Property, plant and equipment	48,904	13,101
	48,904	13,101
Authorised but not contracted for:		
Property, plant and equipment	–	63,836
	48,904	76,937
Intangible assets		
Contracted for, but not provided for:		
Technical know-how, net of deposits	–	1,300
	48,904	78,237

- (b) At 30 June 2012, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group	
	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
Within 1 year	3,923	407
After 1 year but within 5 years	14,330	–
	18,253	407

The Group leases office premises under operating leases arrangements. Leases for the office premises are negotiated for terms between one and five years. None of the leases includes contingent rental.

16. Material related party transactions

The Group had the following material transactions with its related parties during the Relevant Period:

Name of related parties	Relationship	Nature of transactions	Note	For the six months ended 30 June	
				2012 (Unaudited) RMB'000	2011 (Unaudited) RMB'000
Neptunus Bio-engineering	Immediate parent company	Entrusted loans from immediate parent company	(i)	30,000	–
		Accrued interest for entrusted loans	(i)	485	967
		Interest-bearing financial assistance from immediate parent company	(ii)	–	18,810
		Accrued interest for interest-bearing financial assistance	(ii)	–	2,581
Shenzhen Neptunus Pharmaceutical Co., Ltd. (“Neptunus Pharmaceutical”)	Fellow subsidiary	Reimbursement of water, electricity and fuel costs	(iii)(xi)	–	126
		Management fees	(iv)(xi)	–	5
		Property management fees	(v)(xi)	–	30
		R&D service income	(vi)(xi)	–	2,000
		Purchase of goods	(viii)(xi)	179	211
		Acquisition of 20% equity interests of Jiangsu Neptunus Bio-pharmaceutical Company Limited (“Jiangsu Neptunus”)	(ix)(xi)	–	200
Shenzhen Neptunus Tongai Pharmaceutical Company Limited (“Tongai Pharmaceutical”)	Fellow subsidiary	Rental of office and factory premises	(vii)(xii)	–	134
Shenzhen Neptunus Changjian Pharmaceutical Co., Ltd.	Fellow subsidiary	Sales of goods	(viii)(xi)	4,264	4,456
Hangzhou Neptunus Bio-engineering Co., Ltd	Fellow subsidiary	Processing income / sales of goods	(viii)(x)	256	134
Zhejiang Neptunus Pharmaceutical Co., Ltd	Fellow subsidiary	Sales of goods	(viii)(x)	109	133
Shenzhen Nepstar Pharmaceutical Co., Ltd	Related company	Sales of goods	(viii)(xiii)	2,860	773
Shandong Neptunus Yinhe Pharmaceutical Company Limited	Fellow subsidiary	Sales of goods	(viii)(x)	119	29
		Interest-bearing financial assistance	(xiv)	10,000	–
		Accrued interest for interest-bearing financial assistance	(xiv)	123	–
福州海王星辰健康藥房連鎖有限公司 Fuzhou Nepstar Jiankang Chain Drugstore Co., Ltd.*	Related company	Sales of goods	(xv)	12	–

* For identification only



MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

During the Relevant Period, 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 pharmaceuticals (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, and applying bio-technology to the fields of bio-agriculture.

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 Relevant Period, Neptunus Fuyao operated normally and recorded an income from principal business totaling approximately RMB272,867,000 while continuing on a steady growth 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. The Company and Neptunus Fuyao are currently applying to and negotiating with Fuzhou local administrative and governing departments for administrative examination and approval in relation to such upgrading and enhancement.

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 an industrial land in Lianjiang County, Fuzhou City through auction. 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 holding company, Neptunus Bio-engineering will grant approximately RMB80,000,000 to Neptunus Fuyao or indirectly through the Company to Neptunus Fuyao in the form of loan or interest-bearing financial assistance for its construction of the new production base. During the Relevant Period, Neptunus Bio-engineering provided interest-bearing financial assistance of RMB30,000,000 and RMB10,000,000 to Neptunus Fuyao indirectly through the Company and Shandong Neptunus Yinhe Pharmaceutical Company Limited for the bidding of the industrial land and preliminary work 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 RMB47,500,000 and RMB2,500,000 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 30 June 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 RMB1,550,000 and RMB29,450,000 was contributed by Neptunus Fuyao and Neptunus Jinxiang in cash as at 30 June 2012, which hold 5% and 95% interests in Neptunus Jinxiang Lianjiang, respectively. The third subsidiary is Lianjing Neptunus Fuyao Foods Trading Co., Ltd. (“Lianjing 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 30 June 2012, which hold 95% and 5% interests in Lianjing 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. 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.

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. At present, demolition of such land is in progress.

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

The business scope of Jiangsu Neptunus, a wholly-owned subsidiary of the Company, includes R&D of bio-pharmaceutical products and sale of class 1 medical equipment. Jiangsu Neptunus is conducting the research and development on recombinant proteins and polypeptide drugs (including but not limited to recombinant human thymosin α 1 for injection). In October 2011, Jiangsu Neptunus conducted phase I clinical trial on recombinant human thymosin α 1 for injection, utilizing the "approval for recombinant human thymosin α 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 Jiangsu Neptunus' Taizhou Production Base and progress of foreign exchange translation and settlement of the Company. As at the date hereof, fitting-out work of the office area of Jiangsu Neptunus' Taizhou Production Base is completed, while the production area is in the late stage of purification process. The construction is properly implemented according to project plan and the progress is smooth.

Subsequent to the end of the Relevant Period on 20 July 2012, the registered capital of Jiangsu Neptunus was increased to RMB35,000,000 and its equity interest was held by the Company as to 100%. Pursuant to requirements of regulation in relation to manufacture of Chinese medicine, Jiangsu Neptunus may not add manufacture of medicine into its business scope until the production permit is obtained.

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 and establish a more advanced platform for long term drug delivery technology.

The Company entered into an academic subsidy and entrusted R&D agreement with Harbin Institute of Technology ("Harbin Institute") on 2 May 2012 for cooperative R&D of the Project ET-743 (a chemosynthetic anti-tumor drug).

With the State policy of supporting application of bio-technology to the field of agriculture, the Company selected bio-agricultural projects based on its strengths and resources in bio-technology. It also cooperated with top-class research institutions in relevant fields in China to develop competitive bio-technological products which can be commercialized as soon as possible.

Financial Review

The Group's turnover for the Relevant Period was approximately RMB272,867,000, representing an increase of 13% from that of approximately RMB240,715,000 in the corresponding period last year. All turnover for the Relevant Period was derived from sales income of pharmaceutical products of a subsidiary, Neptunus Fuyao. The increase in turnover was because that the sales income of Neptunus Fuyao increased by approximately 13% compared to the same period last year.

The Group's gross profit and gross profit margin for the Relevant Period were approximately RMB107,881,000 and 40% respectively, increasing by RMB24,331,000 and 5% respectively compared with that of the corresponding period last year. The increase in gross profit and gross profit margin were because of a higher proportion in products of Neptunus Fuyao with higher sales profit margin and an increased operating income.



The Group's selling and distribution expenses for the Relevant Period amounted to approximately RMB32,109,000, an increase of RMB4,335,000 over RMB27,774,000 of the same period last year, which was mainly due to increase in sales income resulting in corresponding increase in relevant sales and distribution expenses.

The Group's administrative expenses for the Relevant Period amounted to approximately RMB21,896,000, a decrease of RMB588,000 as compared to approximately RMB22,484,000 in the corresponding period last year. Administrative expenses varied was because of: (i) disposal of GSK-Neptunus which significantly reduced depreciation cost; and (ii) depreciation of RMB during the Relevant Period which rendered exchange loss of the corresponding period last year a gain.

The Group's other operating expenses for the Relevant Period amounted to approximately RMB16,111,000, increasing by approximately RMB8,521,000 compared with that of the corresponding period last year. The increase was due to the Group's increasing input in research and development which significantly increased technological R&D expenses for the Relevant Period.

The Group's finance costs for the Relevant Period was approximately RMB3,170,000, a slight decrease of approximately RMB4,332,000 from approximately RMB7,502,000 in the corresponding period last year. The decrease was primarily because the Company repaid all the long-term loan from China Development Bank and substantial entrusted loan and financial assistance from shareholders of Neptunus Bio-engineering, and therefore no longer had obligation to pay bank interests accrued thereon.

The Group's profit before income tax for the Relevant Period significantly increase to approximately RMB42,889,000 from approximately RMB17,171,000 for the corresponding period last year, which was mainly because of (i) completion of disposal of GSK-Neptunus, loss incurred no longer shared by the Company by shareholding; (ii) increase in turnover and gross profit of Neptunus Fuyao during the Relevant Period; (iii) repayment of substantial borrowings and therefore a significant decrease in finance costs; and (iv) the reversal of exchange loss into exchange gain.

As such, profit attributable to the owners of the Company amounted to approximately RMB25,488,000 for the Relevant Period, compared with that of approximately RMB3,756,000 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.

Banking Facilities

As at 30 June 2012, the Group's short-term bank borrowings were RMB81,000,000, 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 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.



On 7 May 2012, Neptunus Fuyao was granted a short-term loan of RMB5,000,000 from the Jincheng (Fuzhou) Sub-branch of Fujian Haixia Bank. This loan is guaranteed by Neptunus Bio-engineering, bearing an annual interest rate of 7.216% and will be repaid on 6 February 2013.

Shareholder's interest-bearing financial assistance

As at 30 June 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.

On 30 June 2012, the subsidiary of the Company obtained shareholder's financial assistance from Shandong Neptunus Yinhe Pharmaceutical Company Limited, a subsidiary of Neptunus Bio-engineering, of RMB10,000,000 bearing an annual interest rate of 6%.

Shareholder's entrusted loans

Shareholder's entrusted loans obtained by the Company from Neptunus Bio-engineering as at 30 June 2012 amounted to RMB39,000,000.

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"); (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. Such entrusted loan is overdue and the Company is negotiating with Neptunus Bio-engineering about extension thereof.

Net current assets

As at 30 June 2012, the Group had net current assets of approximately RMB188,086,000. Current assets comprised cash and cash equivalents of approximately RMB259,067,000, pledged bank deposits of approximately RMB4,813,000, inventories of approximately RMB114,862,000, and trade and other receivables of approximately RMB108,387,000. Current liabilities comprised trade and bills payables of approximately RMB97,566,000, interest-bearing bank borrowings to be repaid within one year of approximately RMB81,000,000, tax payable of approximately RMB9,821,000, amounts due to related companies of approximately RMB68,193,000, and other payables of approximately RMB42,463,000. The net current assets was broadly the same as compared with that of approximately RMB185,448,000 as at 31 December 2011.



Foreign Currency Risk

During the Relevant Period, the Group's operating revenue, major selling costs and capital expenditure were denominated in RMB. 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 at 30 June 2012, approximately HK\$26,330,000 was still not translated into RMB. In addition, in the consideration from sale of 51% equity in GSK-Neptunus, a jointly controlled entity, which was denominated in USD, approximately USD13,179,000 was still not translated into RMB as at 30 June 2012. As such, the exchange rate fluctuation of Hong Kong dollars and USD against RMB may affect the Group's profit for the Relevant Period. However, the foreign currency risk facing the Group is limited. Currently, the Group has not adopted any financial instrument for hedging purposes.

Contingent Liability

As at 30 June 2012, the Group had no significant contingent liability.

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 30 June 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	30,561,000	2.44%	1.82%
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 0.08% of the entire issued share capital of Neptunus Bio-engineering, the Company's controlling shareholder, which in turn held directly and indirectly the beneficial interest in approximately 71.67% of the entire issued share capital of the Company, of which 70.38% was directly held and 1.29% was indirectly held through Shenzhen Neptunus Oriental Investment Co., Ltd..
- (b) Mr. Liu Zhan Jun, who is a director and president of Neptunus Bio-engineering, was beneficially interested in 0.04% of the entire issued share capital of Neptunus Bio-engineering, the Company's controlling shareholder, which in turn held directly and indirectly the beneficial interest in approximately 71.67% of the entire issued share capital of the Company, of which 70.38% was directly held and 1.29% was indirectly held through Shenzhen Neptunus Oriental Investment Co., Ltd..
- (c) Ms. Yu Lin, who is a director and vice-president of Neptunus Bio-engineering, was beneficially interested in 0.01% of the entire issued share capital of Neptunus Bio-engineering, which in turn held directly and indirectly the beneficial interest in approximately 71.67% of the entire issued share capital of the Company, of which 70.38% was directly held and 1.29% was indirectly held through Shenzhen Neptunus Oriental Investment Co., Ltd..

Save as disclosed above, as at 30 June 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 30 June 2012, the Company and its subsidiary and its jointly controlled entity 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 Relevant Period, 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 subsidiary, its jointly controlled entity 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 30 June 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:

Name of substantial shareholders	Capacity	Number of domestic shares held	Approximate percentage of all the domestic shares	Approximate percentage of the Company's issued share capital
Neptunus Bio-engineering (Note (a))	Beneficial owner	1,202,650,000	96.06%	71.67%
Neptunus Group (Note (b))	Interest in controlled corporation	1,202,650,000	96.06%	71.67%
Ankeen Enterprises Limited ("Ankeen Enterprises") (Note (c))	Interest in controlled corporation	1,202,650,000	96.06%	71.67%
Ms. Wang Jin Song (Note (d))	Interest in controlled corporation	1,202,650,000	96.06%	71.67%

Notes:

- Neptunus Bio-engineering was deemed to be interested in the 21,650,000 domestic shares of the Company held by Shenzhen Neptunus Oriental Investment Co., Ltd. ("Neptunus Oriental") as the entire issued share capital of Neptunus Oriental was beneficially owned by Neptunus Bio-engineering. Neptunus Bio-engineering was also directly interested in 1,181,000,000 domestic shares of the Company. Therefore, Neptunus Bio-engineering was directly and indirectly interested in 1,202,650,000 domestic shares of the Company.
- Neptunus Group was deemed to be interested in the 1,202,650,000 domestic shares of the Company, which relate to the same parcel of shares referred to in note (a) above, 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.
- Ankeen Enterprises was deemed to be interested in 1,202,650,000 domestic shares of the Company, which relate to the same parcel of shares referred to in note (a) above, held by Neptunus Bio-engineering as Ankeen Enterprises was beneficially interested in approximately 41.90% 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.
- Ms. Wang Jin Song ("Ms. Wang") was deemed to be interested in 1,202,650,000 domestic shares of the Company, which relate to the same parcel of shares referred to in note (a) above, 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 30 June 2012.



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

The Company and its subsidiary did not purchase, sell or redeem any of the Company's listed securities during the Relevant Period. The Company and its subsidiary 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 Relevant Period, 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 Relevant Period. 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, 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 Relevant Period.



COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICE

As the Directors are aware, during the Relevant Period, the Company has complied with the requirements under the “Corporate Governance Code and Corporate Governance Report” set out in Appendix 15 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, 10 August 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.