



# 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

\* For identification purpose only



## 2013 First Quarterly Report

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

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

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

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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 (collectively the "Group") for the three months ended 31 March 2013 (the "Quarter"), together with the unaudited comparative figures for the corresponding period of 2012.

## CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

For the three months ended 31 March 2013

	Note	For the three months ended 31 March (Unaudited)	
		2013 RMB'000	2012 RMB'000
<b>TURNOVER</b>	4	<b>157,925</b>	132,156
Cost of sales		<b>(88,688)</b>	(80,405)
<b>Gross profit</b>		<b>69,237</b>	51,751
Other revenue	4	<b>732</b>	2,108
Selling and distribution expenses		<b>(25,753)</b>	(15,877)
Administrative expenses		<b>(13,237)</b>	(10,986)
Other operating expenses		<b>(6,995)</b>	(6,999)
<b>PROFITS FROM OPERATIONS</b>		<b>23,984</b>	19,997
Finance costs	6	<b>(1,635)</b>	(1,221)
<b>PROFITS BEFORE TAXATION</b>	5	<b>22,349</b>	18,776
Income tax	7	<b>(5,874)</b>	(6,706)
<b>PROFITS FOR THE PERIOD</b>		<b>16,475</b>	12,070
<b>Attributable to:</b>			
Owners of the Company		<b>12,049</b>	9,102
Non-controlling interests		<b>4,426</b>	2,968
<b>Earnings per share</b>			
Basic and diluted	9	<b>RMB0.72 cents</b>	RMB0.54 cents



## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the three months ended 31 March 2013

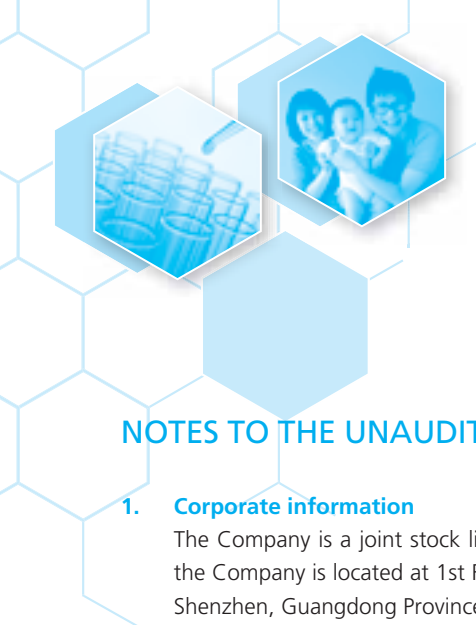
	Note	For the three months ended 31 March (Unaudited)	
		2013 RMB'000	2012 RMB'000
Profits for the period		16,475	12,070
<b>TOTAL OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>		–	–
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>16,475</b>	<b>12,070</b>
<b>Attributable to:</b>			
Owners of the Company		12,049	9,102
Non-controlling interests		4,426	2,968
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>16,475</b>	<b>12,070</b>



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

For the three months ended 31 March 2013

	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 2012	167,800	554,844	(194,339)	12,276	-	(123,908)	416,673	69,603	486,276
<b>Comprehensive income</b>									
Profit for the period	-	-	-	-	-	9,102	9,102	2,968	12,070
<b>Total comprehensive income for the period</b>	-	-	-	-	-	9,102	9,102	2,968	12,070
At 31 March 2012	<u>167,800</u>	<u>554,844</u>	<u>(194,339)</u>	<u>12,276</u>	<u>-</u>	<u>(114,806)</u>	<u>425,775</u>	<u>72,571</u>	<u>498,346</u>
At 1 January 2013	<b>167,800</b>	<b>554,844</b>	<b>(194,339)</b>	<b>17,909</b>	<b>-</b>	<b>(105,243)</b>	<b>440,971</b>	<b>77,383</b>	<b>518,354</b>
<b>Comprehensive income</b>									
Profit for the period	-	-	-	-	-	12,049	12,049	4,426	16,475
<b>Total comprehensive income for the period</b>	-	-	-	-	-	12,049	12,049	4,426	16,475
Deemed contributions arising on the acquisition of a subsidiary	-	-	63	-	-	-	63	-	63
<b>At 31 March 2013</b>	<u><b>167,800</b></u>	<u><b>554,844</b></u>	<u><b>(194,276)</b></u>	<u><b>17,909</b></u>	<u><b>-</b></u>	<u><b>(93,194)</b></u>	<u><b>453,083</b></u>	<u><b>81,809</b></u>	<u><b>534,892</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 2013 have been prepared in accordance with the applicable disclosure provision of the GEM Listing Rules, 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 2012, except for the adoption of the new Hong Kong Financial Reporting Standards ("HKFRSs") and Hong Kong Accounting Standards ("HKASs"). The unaudited 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 2012.

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 2013 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) provision of R&D services of modern biological technology and other business.

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:





	Manufacturing and selling medicine products		R&D services and other business		Total	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
<b>For the three months ended 31 March</b>						
Revenue from external customers	157,827	132,156	98	–	157,925	132,156
Inter-segment revenue	–	–	–	–	–	–
<b>Reportable segment revenue</b>	<b>157,827</b>	<b>132,156</b>	<b>98</b>	<b>–</b>	<b>157,925</b>	<b>132,156</b>
<b>Reportable segment profit/(loss) (adjusted EBITDA)</b>	<b>32,584</b>	<b>25,114</b>	<b>(3,466)</b>	<b>(1,489)</b>	<b>29,118</b>	<b>23,625</b>
Interest income from bank deposit	491	231	31	59	522	290
Interest expenses	1,290	1,192	345	29	1,635	1,221
Depreciation and amortisation						
– Property, plant and equipment	3,095	2,837	870	788	3,965	3,625
– Prepaid lease payment	226	226	–	–	226	226
– Intangible assets	1,258	1,383	2	2	1,260	1,385
<b>Reportable segment assets</b>	<b>750,952</b>	<b>598,323</b>	<b>190,155</b>	<b>224,858</b>	<b>941,107</b>	<b>823,181</b>
Additions to fixed assets (i.e. non-current assets other than financial assets and deferred tax assets) during the period	1,795	717	4,337	214	6,132	931
<b>Reportable segment liabilities</b>	<b>315,678</b>	<b>218,195</b>	<b>50,320</b>	<b>59,141</b>	<b>365,998</b>	<b>277,336</b>





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

	2013 RMB'000	2012 RMB'000
<b>Revenue</b>		
Revenue from external customers	157,925	132,156
Elimination of inter-segment revenue	–	–
Consolidated turnover	<b>157,925</b>	<b>132,156</b>
<b>Profit</b>		
Reportable segment profit	29,118	23,625
Elimination of inter-segment profit	–	–
Reportable segment profit derived from the Group's external customers	29,118	23,625
Other revenue and net revenue	732	2,108
Depreciation and amortisation	(5,451)	(5,236)
Finance costs	(1,635)	(1,221)
Unallocated head office and corporate expense	(415)	(500)
Consolidated profit before taxation	<b>22,349</b>	<b>18,776</b>
<b>Assets</b>		
Reportable segment assets	941,107	823,181
Elimination of inter-segment receivables	(52,497)	(12,368)
	<b>888,610</b>	<b>810,813</b>
Unallocated head office and corporate assets	300	300
Deferred tax assets	2,104	1,548
Consolidated total assets	<b>891,014</b>	<b>812,661</b>
<b>Liabilities</b>		
Reportable segment liabilities	365,998	277,336
Elimination of inter-segment payables	(52,497)	(12,368)
	<b>313,501</b>	<b>264,968</b>
Current tax liabilities	6,407	9,049
Deferred tax liabilities	36,213	40,296
Consolidated total liabilities	<b>356,121</b>	<b>314,313</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)	
	2013 RMB'000	2012 RMB'000
<b>Turnover</b>		
Sale of medicines	157,827	132,156
R&D service income	–	–
Commission income	98	–
	<b>157,925</b>	<b>132,156</b>
<b>Other revenue and gains</b>		
Interest income on bank deposits	522	291
Government subsidy	187	1,802
Others	23	15
	<b>732</b>	<b>2,108</b>

#### 5. Profit before taxation

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

	For the three months ended 31 March (Unaudited)	
	2013 RMB'000	2012 RMB'000
Salaries, wages and other benefits (including directors' emoluments)	13,493	9,022
Contributions to retirement plan	3,476	2,493
Cost of sales	86,551	78,291
Amortisation of interest in leasehold land held for own use	226	226
Depreciation	3,965	3,625
Amortisation of intangible assets*	1,260	1,385
R&D costs*	5,667	4,319

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



## 6. Finance costs

	For the three months ended 31 March (Unaudited)	
	2013 RMB'000	2012 RMB'000
Interest on bank advances wholly repayable within five years	1,290	1,192
Interest on entrusted loans from the immediate parent company	–	29
Interest on financial assistance from the immediate parent company	345	–
	<b>1,635</b>	<b>1,221</b>

## 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.

During the Quarter, two subsidiaries of the Group are recognized as high technology enterprises, and such subsidiaries are subject to the PRC enterprise income tax (the "EIT") at a rate of 15%. The Company and other subsidiaries for the Quarter are subject to the PRC EIT at a rate of 25%. The Group provided for EIT of approximately RMB 5,874,000 for the Quarter.

## 8. Dividends

The Board does not recommend the payment of any dividend for the Quarter (2012: Nil).

## 9. Earnings per share

During the Quarter, the calculation of basic profit per share was based on the unaudited profit attributable to owners of the Company of approximately RMB12,049,000 (2012: profit of RMB9,102,000) and 1,678,000,000 ordinary shares in issue for the Quarter (2012: 1,678,000,000 shares).

Diluted earnings per share for the three-month ended 31 March 2013 and 2012 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 antitumor drugs, the research and development of modern biological pharmaceuticals and sales of drug, healthcare foods and foods business ("Sale of drug and healthcare food business"). Among which, businesses such as herbal medicine, generic drugs, transfusion and anti-tumor drugs were operated through Fuzhou Neptunus Fuyao Pharmaceutical Company Limited and its subsidiaries ("Neptunus Fuyao") while the industrialization of biological technology products was operated by our subsidiary, Jiangsu Neptunus Bio-pharmaceutical Company Limited ("Jiangsu Neptunus"), sale of drug and healthcare food business was mainly operated by our subsidiary, Shenzhen Neptunus Changjian Pharmaceutical Company Limited ("Neptunus Changjian"). Meanwhile, the Company dedicated itself to the R&D Business of biological pharmaceuticals and expanded the scale of the research and development of chemosynthetic anti-tumor drugs and the application of bio-technology in the fields of bioagriculture.

### NEPTUNUS FUYAO BUSINESS

Neptunus Fuyao, the subsidiary of the Company, owns 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 owns 450 approvals in relation to the production of drugs. Along with the development and improvement of China's medical insurance system, generic drugs market is growing rapidly. During the Quarter, Neptunus Fuyao operated normally and recorded an income from principal business of approximately RMB138,207,000 while continuing on a steady growth trend. Neptunus Fuyao has also obtained the high technology enterprise certificate, therefore, starting from 2012 and its subsequent three years, Neptunus Fuyao is subject to the EIT at a rate of 15%.

Pursuant to the notice issued by the PRC State Food and Drug Administration for the implementation of 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 New GMP by 31 December 2013 and the production of medicine in other categories shall meet the requirements of the New GMP by 31 December 2015. Therefore, Neptunus Fuyao has commenced the upgrading and enhancement of a part of the existing production equipments to meet the requirements of the New GMP. Certain production lines which involve upgrading and enhancement have taken turns to suspend production for a short period. It is expected that part of the production lines which take turns to suspend production will obtain GMP certificate before the end of 2013, and all the production lines which have been suspended will be resumed when the validation is completed. The short period of production suspension will affect normal production and supply of certain products of Neptunus Fuyao in 2013. In order to reduce or eliminate the effect to operating income and profit, Neptunus Fuyao is currently implementing the following measures: (1) expanding the production volume before suspending production and preparing the stocks in advance, especially the stock of bidwinning categories and high gross profit margin products; (2) formulating detailed plans for sales, ensuring sufficient medicine supply to key markets and key clients and minimizing the occurrence of shortage of medicine in the market; and (3) enhancing the marketing efforts in products manufactured by the non-upgrading production lines in 2013 so as to improve the sales income of medicine of this part. At present, upgrading and enhancement work is proceeding as planned.

As the existing production capacities of Neptunus Fuyao are almost fully utilised, the Group intends to construct a new production base ("Lianjiang Production Base") at Lianjiang County, Fuzhou City. As the preliminary preparation work for the construction of the Lianjiang 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. As at 31 March 2013, the paid-in capital of Neptunus Fuyao Lianjiang was RMB50,000,000. 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. As at 31 March 2013, the paid-in capital of Neptunus Jinxiang Lianjiang was RMB30,000,000. 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. As at 31 March 2013,



the paid-in capital of Lianjiang Neptunus Foods was RMB500,000. The Board resolved to increase the registered capital of Neptunus Fuyao Lianjiang to RMB112,000,000 from RMB50,000,000. The latter part of the capital increase plan will be arranged according to the progress of the Lianjiang Production Base.

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 Lianjiang production base will commence on the two pieces of land. After the Group has been granted the approval of industrial project and completed relevant procedures for environmental assessment and construction planning, the Bureau of Land Resources of Lianjiang will enter into a Land Use Rights Transfer Contract with Neptunus Fuyao Lianjiang and Neptunus Jinxiang Lianjiang respectively. As the progress of demolition by the local government is slower than expected, the Land Use Rights Transfer Contracts have not been signed. The Company and Neptunus Fuyao are communicating with the local government department proactively in order to facilitate the local government department for completion of demolition and relocation of such piece of land. According to a letter from local government authority in December 2012, the relevant approval and procedures before entering into Land Use Rights Transfer Contracts will be completed in the first quarter in 2013. By that time, the signing of the relevant Land Use Rights Transfer Contracts could be arranged. As at the reporting date, the Land Use Rights Transfer Contracts have not been signed. The Group is communicating with the local government department proactively, so that the signing of Land Use Rights Transfer contracts could be completed as soon as possible.

In March 2012, Neptunus Fuyao received a letter from Fuzhou Land Development Centre which expressed its intention to acquire the industrial land of Neptunus Fuyao's existing production base which is located in Fuzhou City. The Group is communicating preliminarily with Fuzhou Land Development Centre 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-medical products and sale of class 1 medical equipment. Jiangsu Neptunus obtained production permit on 1 December 2012 and its business scope in respect of manufacture of medicine will be included in the second quarter of 2013. As at 31 March 2013, the registered capital of Jiangsu Neptunus was RMB55,000,000 and its equity interest was wholly held by the Company. Jiangsu Neptunus is conducting the research and development on recombinant proteins and polypeptide drugs (including but not limited to recombinant human thymosin  $\alpha$ 1 for injection). The work which it focus at present is the construction work of Jiangsu Neptunus production base and the clinical trial on recombinant human thymosin  $\alpha$ 1 for injection.

Jiangsu Neptunus's clinical trial on recombinant human thymosin  $\alpha$ 1 for injection is undergoing according to the plan. Phase I clinical trial was completed in December 2012. Its purpose is to test the safety of the drugs. From the results of phase I clinical trial, under the conditions stipulated by the clinical programs, the safety of recombinant human thymosin  $\alpha$ 1 for injection is well performed. Phase II clinical trial has begun in the Quarter. As the "approval for recombinant human thymosin  $\alpha$ 1 clinical research" and related technology were originally owned by Shenzhen Neptunus Pharmaceutical Company Limited 深圳海王藥業有限公司 ("Shenzhen Neptunus"), in order to apply for the new medicine certificate of recombinant human thymosin  $\alpha$ 1 for injection and obtain support from local government in the future, on 9 April 2013, after the end of the Quarter, Jiangsu Neptunus entered into the Technology Transfer Agreement with Shenzhen Neptunus for the acquisition of "approval for recombinant human thymosin  $\alpha$ 1 clinical research" and related technology for a consideration of RMB13,000,000. Consideration will be paid by four installments, the first of which is RMB3,000,000.

The renovation of the office area and the purifying renovation of the production area of Jiangsu Neptunus production base were completed during the Quarter. At present, equipment debugging and verification work are in progress. The construction is properly implemented according to project plan and the progress is smooth.

Since Phase II clinical trial has proceeded smoothly, according to the resolution which the Board approved in the previous period, the registered capital of Jiangsu Neptunus will amount to RMB90,000,000. The increase in registered capital will be made in stages according to construction progress of Jiangsu Neptunus production base and progress of foreign exchange translation and settlement of the Company. On 27 April 2013, after the end of the Quarter, the Company contributed RMB17,000,000 to Jiangsu Neptunus, and the registered capital of Jiangsu Neptunus was increased to RMB72,000,000.



## SALE OF DRUG AND HEALTHCARE FOOD BUSINESS

Neptunus Fuyao and the Company have a small amount of operation in the sale of drug and healthcare food business in 2012 and the previous years. In order to expand the development by the Group in such business, the Company acquired 100% equity interest in Neptunus Changjian for a consideration of RMB5,080,000 in January 2013, and the business development of Neptunus Changjian was confirmed as sale of drug, healthcare food and food. The Company has contributed RMB7,000,000 to Neptunus Changjian during the Quarter, and the registered capital of Neptunus Changjian increased to RMB10,000,000 after capital contribution. Neptunus Changjian's sale of drug and healthcare food business developed rapidly during the Quarter, and recorded an income from principal business totaling approximately RMB19,620,000, which brings a new source of income for the Group and provides positive support to the profitability.

On 6 February 2013, Neptunus Changjian entered into (i) a distribution agreement with Shenzhen Neptunus, a fellow subsidiary and a connected person of the Company pursuant to which Neptunus Changjian will purchase various pharmaceutical products manufactured by Shenzhen Neptunus for distribution in the PRC for the period from 6 February 2013 to 31 December 2013 and (ii) a distribution agreement with Hangzhou Neptunus Bioengineering Co., Ltd. 杭州海王生物工程有限公司 (“Hangzhou Neptunus”), a fellow subsidiary and a connected person of the Company pursuant to which Neptunus Changjian will purchase various food products and healthcare food products manufactured by Hangzhou Neptunus for distribution in the PRC for the period from 6 February 2013 to 31 December 2015. The Board considered that the entering into of the abovementioned distribution agreements will (i) bring the Company higher operating revenues by the distribution and sale of pharmaceutical products, food products and healthcare food products which will have a positive impact on the profitability of the Company; and (ii) assist the Company to expand its marketing team and retail network and strengthen its connections with distributors and retailers.

## R&D BUSINESS

Since January 2009, the Company has been focusing on the R&D business of modern biological technology. During the Quarter, the Company's focused on the development of its own R&D business. The Company also endeavored to seek R&D projects for new products externally starting from 2012, thereby exploring a new direction for its future development.

The Company entered into a technical cooperation agreement with the 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 antitumor drug).

With the State policy of supporting application of bio-technology to the field of agriculture, the Company utilised its strengths and resources in biotechnology starting from 2012, cooperated with top-class research institutions in relevant fields in China, and explored in the field of bio-agriculture. At present, it is developing animal healthcare products with preventive healthcare functions and bio-feed additive products. It is expected that the first products will be industrialized in 2013.

## FINANCIAL REVIEW

The Group's turnover for the Quarter was approximately RMB157,925,000, representing an increase of 19.5% from that of approximately RMB132,156,000 in the corresponding period last year. All turnover for the Quarter was mainly derived from sales income of pharmaceutical products of Neptunus Fuyao and sales income of drug and healthcare food of Neptunus Changjian. Turnover of Neptunus Fuyao increased slightly compared with that of the same period last year. Also, sales income of Neptunus Changjian was newly added during the year.



The Group's gross profit and gross profit margin for the Quarter were approximately RMB69,237,000 and 44% respectively, increasing by approximately RMB17,486,000 and 5% respectively compared with that of the corresponding period last year. The increase in gross profit and gross profit margin was because newly acquired Neptunus Changjian provided additional gross profit, and the products sold by Neptunus Changjian are products with higher gross profit margin.

The Group's selling and distribution expenses for the Quarter amounted to approximately RMB25,753,000, representing an significant increase of RMB9,876,000 over RMB15,877,000 of the same period last year. The increase in selling and distribution expense was mainly due to selling and distribution expense generated from Neptunus Changjian's sale business and sales of Neptunus Fuyao increased which resulted in an increase in selling and distribution expense.

The Group's administrative expenses for the Quarter amounted to approximately RMB13,237,000, representing an increase of approximately RMB2,251,000 and 20.5% , as compared to approximately RMB10,986,000 in the corresponding period last year. The increase in administrative expense was mainly due to the newly added management fee of Neptunus Changjian, and some expenses of Neptunus Fuyao such as storage costs and renovation costs increased as a result of the suspension and improvement of part of production lines.

The Group's other operating expenses for the Quarter amounted to approximately RMB6,995,000, which was basically of the same level compared to the corresponding period last year.

The Group's finance costs for the Quarter was approximately RMB1,635,000, representing an increase of approximately RMB414,000 from approximately RMB1,221,000 in the corresponding period last year, which was mainly due to an increase of RMB10,000,000 compared to the corresponding period last year in the total bank loans of Neptunus Fuyao for the Quarter, and also the shareholder's interest-bearing financial assistance obtained by the Company from parent company, Shenzhen Neptunus Bio-engineering Co., Ltd. ("Neptunus Bio-engineering") amounted to approximately RMB23,000,000, which is bearing a monthly interest rate of 15%.

The Group's profit after taxation for the Quarter increased to approximately RMB16,475,000 from approximately RMB12,070,000 for the corresponding period last year. The significant increase in profit was mainly due to new source of profit bring from Neptunus Changjian.

As such, profit attributable to the owners of the Company amounted to approximately RMB12,049,000 for the Quarter, compared with profit of approximately RMB9,102,000 for the corresponding period last year.

## LIQUIDITY AND FINANCIAL RESOURCES

The Group usually finances its operating and investing activities with its internal financial resources and bank loans. The Group's transactions are mainly denominated in Renminbi and the Group reviews its working capital and finance requirements on a regular basis. As at 31 March 2013, total bank borrowings of the Group was approximately RMB86,000,000, all of which were short-term bank borrowings.

### Banking facilities

As at 31 March 2013, the Group's short-term bank borrowings were RMB86,000,000, all of which were short-term bank borrowings of Neptunus Fuyao.

On 23 August 2012, Neptunus Fuyao was granted a short-term loan of RMB66,000,000 from the Sanshan Subbranch (Fuzhou) of Fujian Haixia Bank, by pledging its land use rights and buildings. This loan will be repaid on 22 August 2013 and is bearing an annual interest rate of 6.00%.

On 31 October 2012, Neptunus Fuyao was granted a short-term loan of RMB20,000,000 from the Sanshan Subbranch (Fuzhou) of Fujian Haixia Bank, by pledging its land use rights and buildings. This loan will be repaid on 30 October 2013 and is bearing an annual interest rate of 6.00%.



### Shareholder's interest-bearing financial assistance

As at 31 March 2013, the shareholder's interest-bearing financial assistance obtained by the Company from Neptunus Bio-engineering amounted to approximately RMB23,000,000. Such shareholder's interest bearing financial assistance is unsecured and bearing a monthly interest rate of 0.5%. The Company has provided such fund to Neptunus Fuyao by way of shareholder's interest-bearing financial assistance for the construction plan of Lianjiang Production Base. As of 31 March 2013, the outstanding accrued interest of shareholder's interest-bearing financial assistance from Neptunus Bio-engineering amounted to approximately RMB5,608,000.

### 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 rate of 5% and is repayable on 5 April 2009. Neptunus Bioengineering 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 nonexecutive 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.

## 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 2013, 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:

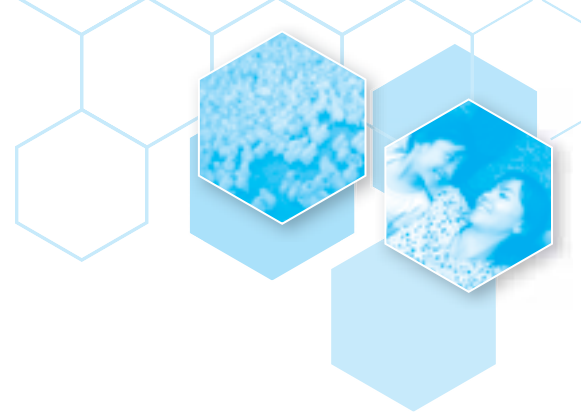
*Long positions in the shares of the Company:*

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	0.07%
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:

- Mr. Zhang Feng, deputy chairman of the board of directors of Neptunus Bio-engineering, was beneficially interested in approximately 0.07% 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 Company Limited ("Neptunus Oriental").
- Mr. Liu Zhan Jun, director and president of Neptunus Bio-engineering, was beneficially interested in approximately 0.04% of the entire issued 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 Neptunus Oriental.
- Ms. Yu Lin, 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, 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 Neptunus Oriental.

Save as disclosed above, as at 31 March 2013, 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 2013, 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 2013, 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 shareholder	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	1,181,000,000	94.33%	70.38%
	Interest in controlled corporation	21,650,000	1.73%	1.29%
Shenzhen Neptunus Group Company Limited ("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 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 24.66% 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 24.66% 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 24.66% 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 2013.



## 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 CORPORATE GOVERNANCE CODE

As the Directors are aware, during the Quarter, the Company has complied with the requirements under the “Corporate Governance Code and Corporate Governance Report” set out in Appendix 15 of 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, 13 May 2013

*As at the date of this report, the executive Directors 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.*