



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 Third 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.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from, or in reliance upon, the whole or any part of the contents of this report.

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 condensed consolidated financial statements of the Company and its subsidiaries, (collectively the "Group") for the nine months ended 30 September 2013 (the "Relevant Period"), together with the unaudited comparative figures for the corresponding period of 2012.

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

for the three months and nine months ended 30 September 2013

	Note	For the three months ended 30 September		For the nine months ended 30 September	
		2013 (Unaudited) RMB'000	2012 (Unaudited) RMB'000	2013 (Unaudited) RMB'000	2012 (Unaudited) RMB'000
Turnover	4	159,028	132,655	456,889	405,522
Cost of sales		(98,215)	(90,282)	(271,429)	(255,268)
Gross profit		60,813	42,373	185,460	150,254
Other revenue	4	925	2,656	2,376	9,877
Other net income	4	–	–	145	1,073
Selling and distribution expenses		(28,336)	(18,424)	(69,696)	(50,533)
Administrative expenses		(13,662)	(11,940)	(40,931)	(33,836)
Other operating expenses		(8,035)	(6,036)	(25,682)	(22,147)
Profit from operations		11,705	8,629	51,672	54,688
Finance costs	6	(2,094)	(1,566)	(5,635)	(4,736)
Profit before taxation	5	9,611	7,063	46,037	49,952
Income tax	7	(2,323)	(2,400)	3,314	(12,238)
Profit for the period		7,288	4,663	49,351	37,714
Attributable to:					
Owners of the Company		4,745	3,169	38,089	28,657
Non-controlling interests		2,543	1,494	11,262	9,057
Profit for the period		7,288	4,663	49,351	37,714
Earnings per share					
Basic and diluted	9	RMB0.28 cents	RMB0.19 cents	RMB2.27 cents	RMB1.71 cents



CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

for the three months and nine months ended 30 September 2013

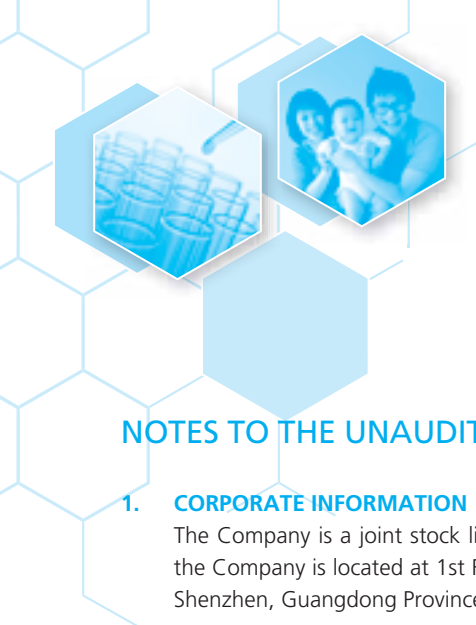
	For the three months ended 30 September		For the nine months ended 30 September	
	2013 (Unaudited) RMB'000	2012 (Unaudited) RMB'000	2013 (Unaudited) RMB'000	2012 (Unaudited) RMB'000
Profit for the period	7,288	4,663	49,351	37,714
Other comprehensive income for the period				
Other comprehensive income for the period, net of tax	–	–	–	–
Total other comprehensive income for the period, net of tax	–	–	–	–
Total comprehensive income for the period	7,288	4,663	49,351	37,714
Total comprehensive income attributable to:				
Owners of the Company	4,745	3,169	38,089	28,657
Non-controlling interests	2,543	1,494	11,262	9,057
Total comprehensive income for the period	7,288	4,663	49,351	37,714



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

for the nine months ended 30 September 2013

	Attributable to owners of the Company					Total RMB'000	Non- controlling Interests RMB'000	Total equity RMB'000
	Issued capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory reserve fund RMB'000	Accumulated loss RMB'000			
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	-	-	-	-	28,657	28,657	9,057	37,714
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 September 2012	167,800	554,844	(194,339)	12,276	(95,251)	445,330	74,660	519,990
At 1 January 2013	167,800	554,844	(194,339)	17,909	(105,243)	440,971	77,383	518,354
Change in equity for 2013								
Profit for the period	-	-	-	-	38,089	38,089	11,262	49,351
Other comprehensive income for the period, net of tax	-	-	-	-	-	-	-	-
Total comprehensive income for the period, net of tax	-	-	-	-	-	-	-	-
Deemed distribution arising on the acquisition of a subsidiary	-	-	(148)	-	-	(148)	-	(148)
Dividend paid from subsidiary to non-controlling interests	-	-	-	-	-	-	(4,600)	(4,600)
Transfer to other reserves	-	-	-	33	(33)	-	-	-
At 30 September 2013	167,800	554,844	(194,487)	17,942	(67,187)	478,912	84,045	562,957



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 nine months ended 30 September 2013 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 2012, 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 2012.

The HKICPA has issued a number of new and revised HKFRSs and interpretations that are first effective or available for early adoption for 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 September 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"), which is also the functional currency of the Group 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 three reportable segments. No operating segments have been aggregated to form the following reportable segments.

- (i) Manufacturing and selling of medicines
- (ii) Purchase and sales of medicines and healthcare products
- (iii) 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 first segment derives its revenue from the manufacture and sale of medicines.

The second segment derives its revenue from purchase and sales of medicines and healthcare products.

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

During the Relevant Period, the Group suspended the provision of R&D services to external parties.

The other segment derives commission income from the distribution of food products and healthcare food products.

(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.

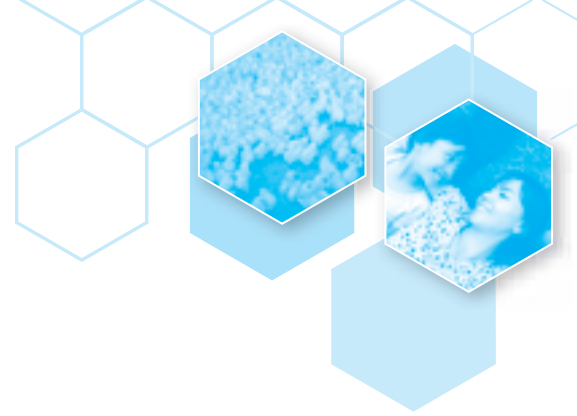
Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

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, the executive directors are 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 September 2013 and 2012 is set out below:

For the nine months ended 30 September	Manufacturing and selling of medicines		Purchase and sales of medicines and healthcare products		R&D services		Others		Total	
	2013 (Unaudited) RMB'000	2012 (Unaudited) RMB'000	2013 (Unaudited) RMB'000	2012 (Unaudited) RMB'000	2013 (Unaudited) RMB'000	2012 (Unaudited) RMB'000	2013 (Unaudited) RMB'000	2012 (Unaudited) RMB'000	2013 (Unaudited) RMB'000	2012 (Unaudited) RMB'000
	Revenue from external customers	381,337	405,522	74,431	-	-	-	1,121	-	456,889
Inter-segment revenue	5,736	-	444	-	-	-	-	-	6,180	-
Reportable segment revenue	387,073	405,522	74,875	-	-	-	1,121	-	463,069	405,522
Reportable segment profit/ (loss) before taxation	58,099	71,199	9,527	-	-	(10,331)	1,106	-	68,732	60,868
Interest income from bank deposits	1,453	731	13	-	-	162	-	-	1,466	893
Interest expenses	5,635	4,621	-	-	-	115	-	-	5,635	4,736
Depreciation and amortisation										
– Property, plant and equipment	11,724	9,702	155	-	-	2,411	-	-	11,879	12,113
– Prepaid lease payment	1,178	1,178	-	-	-	-	-	-	1,178	1,178
– Intangible assets	3,008	3,200	151	-	-	6	-	-	3,159	3,206
Impairment on trade receivables	194	-	-	-	-	-	-	-	194	-
Reversal of impairment on trade receivables	-	(1,073)	-	-	-	-	-	-	-	(1,073)
Impairment on other receivables	23	33	-	-	-	-	-	-	23	33
Reversal of impairment on other receivables	(95)	-	(9)	-	-	-	-	-	(104)	-
Written down of inventory	199	436	-	-	-	-	-	-	199	436
Reversal of written down of inventories	(41)	-	-	-	-	-	-	-	(41)	-
Written off of inventories	504	-	-	-	-	-	-	-	504	-
Income tax expense	(5,706)	12,238	2,392	-	-	-	-	-	(3,314)	12,238



	Manufacturing and selling of medicines		Purchase and sales of medicines and healthcare products		R&D services		Others		Total	
	30 September	31 December	30 September	31 December	30 September	31 December	30 September	31 December	30 September	31 December
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Reportable segment assets	879,559	714,089	55,118	-	-	153,772	-	-	934,677	867,861
Additions to non-current assets (other than financial instruments and deferred tax assets)	41,177	16,759	114	-	-	43,635	-	-	41,291	60,394
Reportable segment liabilities	308,745	261,481	34,439	-	-	49,206	-	-	343,184	310,687

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

	Nine months ended 30 September	
	2013 (Unaudited) RMB'000	2012 (Unaudited) RMB'000
Revenue		
Reportable segment revenue	463,069	405,522
Elimination of inter-segment revenue	(6,180)	-
Consolidated turnover	456,889	405,522
Profit/(loss)		
Reportable segment profit	68,732	60,868
Elimination of inter-segment profit	(2,001)	-
Reportable segment profit derived from the Group's external customers	66,731	60,868
Other revenue and other net income	2,521	10,950
Depreciation and amortisation	(16,216)	(16,497)
Finance costs	(5,635)	(4,736)
Unallocated head office and corporate expense	(1,364)	(633)
Consolidated profit before taxation	46,037	49,952



	At 30 September 2013 (Unaudited) RMB'000	At 31 December 2012 (Audited) RMB'000
Assets		
Reportable segment assets	934,677	867,861
Elimination of inter-segment receivables	(3,530)	(61)
	931,147	867,800
Unallocated head office and corporate assets	300	300
Deferred tax assets	2,012	1,308
Tax recoverable	–	1,328
Consolidated total assets	933,459	870,736
Liabilities		
Reportable segment liabilities	343,184	310,687
Elimination of inter-segment payables	(3,530)	(61)
	339,654	310,626
Tax payable	9,185	5,543
Deferred tax liabilities	21,662	36,213
Consolidated total liabilities	370,501	352,382



4. TURNOVER AND OTHER REVENUE

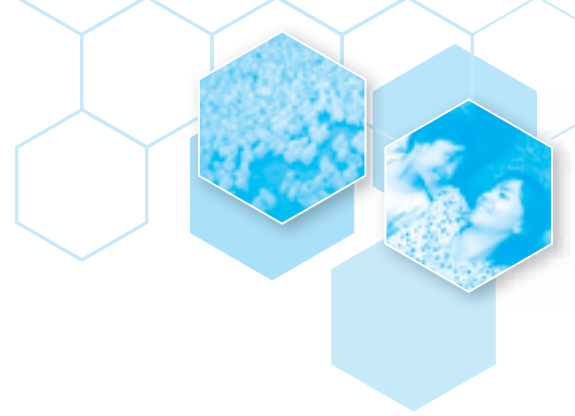
The Group's turnover represents the net invoiced value of the goods sold net of value-added tax ("VAT") after allowances for returns and trade discounts and commission income. An analysis of turnover and other revenue is as follows:

	For the three months ended 30 September		For the nine months ended 30 September	
	2013 (Unaudited) RMB'000	2012 (Unaudited) RMB'000	2013 (Unaudited) RMB'000	2012 (Unaudited) RMB'000
Turnover				
Sale of medicines	128,469	132,655	381,337	405,522
Sales and distribution of medicines and healthcare products	30,464	–	74,431	–
Commission income	95	–	1,121	–
	159,028	132,655	456,889	405,522
Other revenue				
Exchange gain	–	262	–	742
Interest income from bank deposits	489	289	1,466	893
Subsidy income released from deferred revenue	152	2,100	486	8,024
Investment gains	13	–	13	–
Other	271	5	411	218
	925	2,656	2,376	9,877
Other net income				
Reversal of impairment on trade receivables	–	–	–	1,073
Reversal of impairment on other receivables	–	–	104	–
Reversal of written down of inventory	–	–	41	–
	–	–	145	1,073

5. PROFIT BEFORE TAXATION

	For the three months ended 30 September		For the nine months ended 30 September	
	2013 (Unaudited) RMB'000	2012 (Unaudited) RMB'000	2013 (Unaudited) RMB'000	2012 (Unaudited) RMB'000
(a) Staff costs (including director's emoluments)				
Salaries, wages and other benefits	14,612	21,972	43,011	43,299
Contributions to defined contribution retirement plan	4,169	2,991	10,315	7,865
	18,781	24,963	53,326	51,164
(b) Other Item				
Cost of inventories	99,818	88,639	270,090	250,389
Amortisation				
– prepaid lease payments	393	393	1,178	1,178
– Intangible assets *	1,080	1,227	3,159	3,206
Depreciation	3,467	3,919	11,879	12,113
R & D costs *	6,872	4,825	21,084	18,298
Impairment on trade receivables *	–	–	194	–
Impairment on other receivables *	–	–	23	33
Loss on disposal of property, plant and equipment *	4	3	275	4
Written down of inventory *	–	(23)	199	436
Written off of inventory *	10	–	504	–
Auditor's remuneration				
– other services	145	56	395	306

* 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 September		For the nine months ended 30 September	
	2013 (Unaudited) RMB'000	2012 (Unaudited) RMB'000	2013 (Unaudited) RMB'000	2012 (Unaudited) RMB'000
Interest on bank loans wholly repayable within five years	1,273	841	3,974	3,403
Interest on entrusted loans from the immediate parent company	–	325	–	810
Interest on financial assistance from the immediate parent company	821	130	1,661	130
Interest on financial assistance from a fellow subsidiary	–	270	–	393
Total interest expense on financial liabilities not at fair value through profit or loss	<u>2,094</u>	<u>1,566</u>	<u>5,635</u>	<u>4,736</u>

7. INCOME TAX

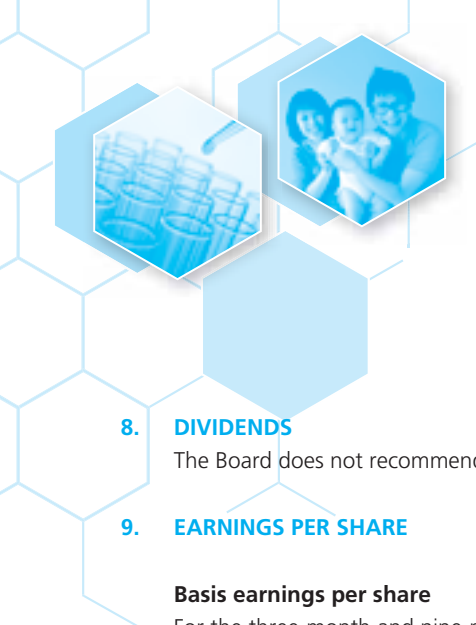
Income tax in the condensed consolidated income statement represents:

	For the three months ended 30 September		For the nine months ended 30 September	
	2013 (Unaudited) RMB'000	2012 (Unaudited) RMB'000	2013 (Unaudited) RMB'000	2012 (Unaudited) RMB'000
Current tax				
Provision for PRC Enterprise Income Tax	2,625	2,400	11,511	12,253
Deferred tax				
Origination and reversal of temporary differences	(302)	–	(859)	(15)
Attributable to a change in tax rate	–	–	(13,966)	–
	<u>2,323</u>	<u>2,400</u>	<u>(3,314)</u>	<u>12,238</u>

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

On 9 April 2013, a subsidiary of the Group qualified as High and New Technology Enterprises (“HNTE”). The entity was entitled to apply a reduced income tax rate of 15% for three years. The entity is required to re-apply for preferential tax treatment after the expiry of the current preferential tax periods. Due to the change in tax rate from 25% to 15%, the deferred tax liabilities for the fair value change of non-current assets decreased approximately RMB13,966,000 during the Relevant Period.

As at 30 September 2013, two subsidiaries of the Group were qualified as HNTE and is entitled to apply a reduction in tax rate. Accordingly, the enterprise income tax (“EIT”) of the two subsidiaries for the Relevant Period was provided at the rate of 15%. The EIT of the other PRC entities for the Relevant Period is 25%.



8. DIVIDENDS

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

9. EARNINGS PER SHARE

Basis earnings per share

For the three-month and nine-month periods ended 30 September 2013, the calculation of basic earnings per share was based on the profit attributable to owners of the Company of approximately RMB4,745,000 and RMB38,089,000 respectively (three-month and nine-month periods ended 30 September 2012: profit of approximately RMB3,169,000 and RMB28,657,000 respectively) and the weighted average number of 1,678,000,000 ordinary shares in issue for the three-month and nine-month periods ended 30 September 2013 (2012: 1,678,000,000 ordinary shares).

Diluted earnings per share

Diluted earnings per share for the three-month and nine-month periods ended 30 September 2013 and 2012 equals to basis earnings per share because there were no potential dilutive ordinary shares outstanding during these periods.

10. ACQUISITION OF A SUBSIDIARY

On 11 December 2012, the Company entered into an equity transfer agreement with Shenzhen Neptunus Bio-engineering Co., Ltd. ("Neptunus Bio-engineering"), the substantial shareholder and immediate parent company of the Company and Shenzhen Neptunus Yinhe Pharmaceutical Investment Company Limited ("Neptunus Yinhe"), a fellow subsidiary of the Company, for the acquisition of the 100% equity interests in Shenzhen Neptunus Changjian Pharmaceutical Company Limited ("Neptunus Changjian") for a consideration of RMB5,080,000 of which RMB1,524,000 shall be payable to Neptunus Bio-engineering and RMB3,556,000 shall be payable to Neptunus Yinhe. Neptunus Changjian was principally engaged in the business of purchase and sales of medicines, health supplements and food and is the holder of the licenses in relation to sales and distribution of medicines and health supplements and food. The Group is of the view that through the acquisition of Neptunus Changjian, the Group may expand its businesses in marketing, purchase and sales of medicines and healthcare food by utilising the licences held by Neptunus Changjian. The acquisition was completed on 4 January 2013.



The amounts recognised as of the acquisition date for each major class of assets acquired and liabilities assumed and the corresponding carrying amounts immediately before the acquisition were as follows:

	Carrying amount RMB'000	Fair value charge RMB'000	Amounts recognised (at fair value) RMB'000
Plant and equipment	785	–	785
Deferred tax assets	796	–	796
Intangible assets	–	1,007	1,007
Cash and cash equipment	2,419	–	2,419
Trade and other receivables	15,465	–	15,465
Inventory	4,332	–	4,332
Accounts payable and accruals	(17,978)	–	(17,978)
Tax payables	(1,642)	–	(1,642)
Deferred tax liabilities	–	(252)	(252)
Total identifiable net assets	4,177	755	4,932
Deemed distribution			148
Consideration			5,080
Consideration, satisfied in cash			5,080
Cash and cash equivalent balances acquired			(2,419)
Net cash outflow in respect of acquisition of subsidiary			2,661

For the nine months ended 30 September 2013, Neptunus Changjian contributed revenue and profit of approximately RMB74,431,000 and RMB6,938,000 respectively to the revenue and profit of the Group for the Relevant Period.

Had the acquisition been completed on 1 January 2013, total Group's revenue for the Relevant Period would remain the same at approximately RMB456,889,000 and the profit for the Relevant Period would remain the same at approximately RMB49,351,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2013, nor is it intended to be a projection of future results. Acquisition related costs amounting to approximately RMB153,000 have been excluded from the consideration transferred.



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, the research and development (“R&D”) of modern biological pharmaceuticals and purchase and sales of medicines, healthcare foods and foods business (“Purchase and Sales of Medicines and Healthcare Foods 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”), Purchase and Sales of Medicines and Healthcare Foods Business was mainly operated by our subsidiary, Shenzhen Neptunus Changjian Pharmaceutical Company Limited (“Neptunus Changjian”). Meanwhile, the Company dedicated itself to the R&D of biological pharmaceuticals and expanded the scale of the R&D in the fields 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. Neptunus Fuyao currently owns 210 types or forms of drugs which are included in National Essential Drugs List. During the Relevant Period, Neptunus Fuyao operated normally and recorded an income from principal business of approximately RMB381,337,000. Due to upgrading and enhancement work, certain production lines of Neptunus Fuyao have to be suspended, therefore, income from principal business of Neptunus Fuyao during the Relevant Period slightly decreased compared with the same period last year. Neptunus Fuyao has also obtained the high and new technology enterprise certificate, therefore, starting from 2012 and its subsequent three years, Neptunus Fuyao is subject to the PRC enterprise income tax (“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 during the Relevant Period. 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 new 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 implemented 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; (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. The work completed so far includes: (1) passing of the on-site checking of extension of large volume injection GMP certificate, and completed the rectification work according to the requirements of New GMP; (2) passing of the on-site checking of New GMP certification of large volume injection and small volume injection and completed the rectification work according to the requirements made by experts from PRC State Food and Drug Administration during the on-site checking, subject to the approval of PRC State Food and Drug Administration; (3) preparation work on New GMP certification of software and hardware of solid pharmaceutical preparation workshop and bulk medicines workshop.



In order to ensure the sustainable development of the Company, Neptunus Fuyao also emphasized on the R&D of new drugs. During the Relevant Period, Neptunus Fuyao (1) completed the verification of formulation of Moxifloxacin injection; (2) completed preparatory work on three category II medical devices licenses; (3) passed the on-site checking for the production and registration of new anti-tumor drug namely Tegafur Gimeracil, Oteracil Potassium tablets (替吉奧片).

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 30 September 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 30 September 2013, the paid-in capital of Neptunus Jinxiang Lianjiang was RMB31,000,000. 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 30 September 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 as at the reporting date. 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 and so that the signing of Land Use Rights Transfer contracts could be completed as soon as possible.



RECOMBINANT PROTEINS AND POLYPEPTIDE DRUGS BUSINESS

The current business scope of Jiangsu Neptunus, a wholly-owned subsidiary of the Company includes permitted operating items: bio-engineering products (according to the scope listed out in "drug production permit") and general operating items: research and development of biopharmaceutical product and sales of category I medical devices. As at 30 September 2013, the registered capital of Jiangsu Neptunus was RMB90,000,000 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 α 1 for injection). The work which it focus at present is the construction work of Jiangsu Neptunus production base, the clinical trial on recombinant human thymosin α 1 for injection and the technology transfer testing on recombinant human interleukin-2(125Ser) for injection.

Jiangsu Neptunus's clinical trial on recombinant human thymosin α 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 α 1 for injection is well performed. Phase II clinical trial has begun in the first quarter of the year. The "approval for recombinant human thymosin α 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 ("Neptunus Pharmaceutical"). In order to apply for the new medicine certificate of recombinant human thymosin α 1 for injection and obtain support from local government in the future, on 9 April 2013, Jiangsu Neptunus entered into the Technology Transfer Agreement with Shenzhen Neptunus for the acquisition of "approval for recombinant human thymosin α 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.

During the Relevant Period, the renovation of the office area and the purifying renovation of the production area of Jiangsu Neptunus production base were completed and the installation and debugging of equipments were completed. Scale-up testing for recombinant human thymosin α 1 for injection and the production of Phase II clinical trial samples have been completed smoothly. At present, according to the relevant laws and rules, Jiangsu Neptunus is conducting the process confirmation and verification work for the technology transfer of recombinant human interleukin-2(125Ser) for injection. It has proceeded smoothly and the trial production of concentrated solution of recombinant human interleukin-2(125Ser) for injection has been completed. The construction work of Jiangsu Neptunus production base has proceeded smoothly and now at the stage of completion and settlement.



PURCHASE AND SALES OF MEDICINES AND HEALTHCARE FOODS BUSINESS

Neptunus Fuyao and the Company have a small amount of operation in the Purchase and Sales of Medicines and Healthcare Foods 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 purchase and sales of medicines, healthcare food products and food products. As at 30 September 2013, the registered capital of Neptunus Changjian was RMB10,000,000. Neptunus Changjian's Purchase and Sales of Medicines and Healthcare Foods Business developed rapidly during the Relevant Period, and gradually developed a sales team which comprised of 200 people and also entered into annual sales agreements with over 100 downstream customers, and recorded an income from principal business totaling approximately RMB74,431,000 during the Relevant Period, 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 Neptunus Pharmaceutical ("Neptunus Pharmaceutical Distribution Agreement"), a fellow subsidiary and a connected person of the Company pursuant to which Neptunus Changjian will purchase various medicines manufactured by Neptunus Pharmaceutical for distribution in the PRC for the period from 6 February 2013 to 31 December 2013 and (ii) a distribution agreement with Hangzhou Neptunus Bio-engineering 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 the abovementioned distribution agreements will (i) bring the Company higher operating revenues by the distribution and sales of medicines, 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.

On 3 July 2013, based on the Neptunus Pharmaceutical Distribution Agreement, Neptunus Changjian and Neptunus Pharmaceutical entered into a supplementary agreement ("Supplementary Agreement"), pursuant to which the period of Neptunus Pharmaceutical Distribution Agreement is to be extended to 31 December 2015, and the annual cap for the year 2013 is to be increased, and two annual caps for the two years 2014 and 2015 are to be newly added, subject to the approval obtained at the extraordinary general meeting held on 13 September 2013.

RESEARCH AND DEVELOPMENT

Since January 2009, the Company has been focusing on the R&D of modern biological technology. During the Relevant Period, the Company has focused on the R&D of its own products. 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. Initial testing is progressing smoothly at present, and it is expected that interim testing will be started during the year.



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). The bench-scale synthetic testing is expected to be fully completed during the year and optimization of the synthetic process can be taken place at the same time.

With the State policy of supporting application of bio-technology to the field of agriculture, starting from 2012, the Company utilised its strengths and resources in biotechnology, cooperated with top-class research institutions in relevant fields in China, and explored in the field of bio-agriculture. At present, it is developing the animal healthcare products with preventive healthcare functions and the bio-feed additive products. The first product is ready to be industrialized and is now proceeding to the stage of administrative examination. It is expected to be industrialized after obtaining the administrative approval.

FINANCIAL REVIEW

The Group’s turnover for the Relevant Period was approximately RMB456,889,000, representing an increase of approximately 12.7% from that of approximately RMB405,522,000 in the corresponding period last year. All turnover for the Relevant Period was mainly derived from sales income of medicines of Neptunus Fuyao and sales income of medicines and healthcare food products of Neptunus Changjian. As a result of upgrade and enhancement, Neptunus Fuyao suspended certain production lines, therefore turnover decreased slightly as compared with the same period last year. However, sales income of Neptunus Changjian was newly added during the year, therefore the overall sales of the Group maintained an upward trend.

The Group’s gross profit and gross profit margin for the Relevant Period were approximately RMB185,460,000 and 41% respectively, increasing by approximately RMB35,206,000 and 4% 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 Relevant Period amounted to approximately RMB69,696,000, representing an significant increase of approximately RMB19,163,000 over approximately RMB50,533,000 of the same period last year. The increase in selling and distribution expense was mainly due to selling and distribution expense generated from newly-added Neptunus Changjian’s sale business and the expansion of sales network of Neptunus Changjian which resulted in the increase in selling expenses.

The Group’s administrative expenses for the Relevant Period amounted to approximately RMB40,931,000, representing an increase of approximately RMB7,095,000 and 21%, as compared to approximately RMB33,836,000 in the corresponding period last year. The increase in administrative expense was mainly due to (i) the newly added management fee of Neptunus Changjian, (ii) more foreign exchange loss was incurred due to appreciation of RMB during the second quarter this year; and (iii) Jiangsu Neptunus is now at stage of trial production, which resulted in the increase in management fees.

The Group’s other operating expenses for the Relevant Period amounted to approximately RMB25,682,000, representing an increase of approximately RMB3,535,000 from approximately RMB22,147,000 in the corresponding period last year. The increase in other operating expenses was mainly due to the significant increase in R&D expenses of Jiangsu Neptunus.



The Group's finance costs for the Relevant Period was approximately RMB5,635,000, representing an increase of approximately RMB899,000 from approximately RMB4,736,000 in the corresponding period last year, which was mainly due to (i) an increase of approximately RMB571,000 compared to the corresponding period last year in the interest expenses of total bank loans of Neptunus Fuyao for the Relevant Period; (ii) 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 RMB23,000,000, which is bearing an annual interest rate of 6.60%; and (iii) the shareholder's interest-bearing financial assistance obtained by Neptunus Fuyao from Neptunus Bio-engineering on 5 June 2013 amounted to RMB27,000,000, which is bearing an annual interest rate of 6.60%.

The Group's profit after taxation for the Relevant Period increased to approximately RMB49,351,000 from approximately RMB37,714,000 for the corresponding period last year. The increase in profit was mainly due to new source of profit from Neptunus Changjian, and the EIT rate of Neptunus Fuyao was adjusted to 15%, resulting in a decrease of deferred tax liabilities of approximately RMB13,966,000 of Neptunus Fuyao.

As such, profit attributable to the owners of the Company amounted to approximately RMB38,089,000 for the Relevant Period, compared with profit of approximately RMB28,657,000 for the corresponding period last year.

Foreign Currency Risk

During the Relevant Period, the Group's operating revenue, major selling costs and capital expenditure were denominated in RMB. The consideration from disposal of a jointly controlled entity was denominated in USD, approximately USD1,542,000 was still not translated into RMB as at 30 September 2013. As such, the exchange rate fluctuation of 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 September 2013, the Group had no significant contingent liability.

LIQUIDITY AND FINANCIAL RESOURCES

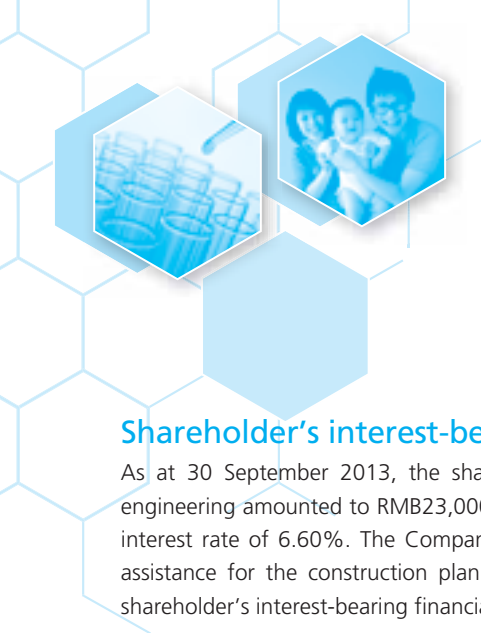
The Group usually finances its operating and investing activities with its internal financial resources and bank loans. The Group's transactions are mainly denominated in Renminbi and the Group reviews its working capital and finance requirements on a regular basis. As at 30 September 2013, total bank borrowings of the Group was approximately RMB86,000,000, all of which were short-term bank borrowings.

Banking facilities

As at 30 September 2013, the Group's short-term bank borrowings were RMB86,000,000, all of which were short-term bank borrowings of Neptunus Fuyao.

On 1 August 2013, Neptunus Fuyao was granted a short-term loan of RMB50,000,000 from the Sanshan Subbranch (Fuzhou) of Fujian Haixia Bank, by pledging its land use rights and buildings. This loan will be repaid on 1 February 2014 and is bearing an annual interest rate of 5.60%.

On 6 August 2013, Neptunus Fuyao was granted a short-term loan of RMB36,000,000 from the Sanshan Subbranch (Fuzhou) of Fujian Haixia Bank, by pledging its land use rights and buildings. This loan will be repaid on 6 February 2014 and is bearing an annual interest rate of 5.60%.



Shareholder's interest-bearing financial assistance

As at 30 September 2013, the shareholder's interest-bearing financial assistance obtained by the Company from Neptunus Bio-engineering amounted to RMB23,000,000. Such shareholder's interest-bearing financial assistance is unsecured and bearing an annual interest rate of 6.60%. 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 30 September 2013, the outstanding accrued interest of shareholder's interest-bearing financial assistance from Neptunus Bio-engineering amounted to approximately RMB3,991,000.

As at 30 September 2013, the shareholder's interest-bearing financial assistance obtained by Neptunus Fuyao from Neptunus Bio-engineering amounted to RMB27,000,000. Such shareholder's interest-bearing financial assistance is unsecured and bearing an annual interest rate of 6.60%, and was used in the upgrading and enhancement work of Neptunus Fuyao's certain production lines. As at 30 September 2013, the outstanding accrued interest of shareholder's interest-bearing financial assistance of Neptunus Fuyao from Neptunus Bio-engineering amounted to approximately RMB569,000.

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 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.

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 September 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:

- (a) 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").
- (b) 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.
- (c) 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 30 September 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 30 September 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 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 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 30 September 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%
Bank of Hangzhou Co., Ltd., Shenzhen Branch ("Bank of Hangzhou") (Note (e))	Security interest in shares	1,181,000,000	94.33%	70.38%



Notes:

- (a) 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.
- (b) 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.
- (c) 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 41.93% 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.
- (d) 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 41.93% 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.
- (e) Bank of Hangzhou was deemed to be interested in 1,181,000,000 domestic shares of the Company held by Neptunus Bio-engineering which has pledged its domestic shares to Bank of Hangzhou.

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 September 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 Relevant Period. 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 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 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 Relevant Period.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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 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, 11 November 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. Yu Bo.