深圳市海王英特龍生物技術股份有限公司

SHENZHEN NEPTUNUS INTERLONG BIO-TECHNIQUE COMPANY LIMITED*

(a joint stock limited company incorporated in the People's Republic of China)

(Stock code: 8329)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2011

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

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

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

This announcement, for which the directors (the "Directors") of Shenzhen Neptunus Interlong Bio-technique Company Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

CHAIRMAN'S STATEMENT

Dear shareholders,

During the year ended 31 December 2011 (the "Year"), the Company and its subsidiaries, Ascendent Bio-Technology Company Limited ("Ascendent"), Fuzhou Neptunus Fuyao Pharmaceutical Company Limited ("Neptunus Fuyao") and Jiangsu Neptunus Bio-pharmaceutical Company Limited ("Jiangsu Neptunus", formerly known as Taizhou Neptunus Bio-technique Company Limited) (collectively the "Group") carried out expansion for new bio-technique business of Jiangsu Neptunus, preliminary planning for establishment of a second production base of Neptunus Fuyao, sale of equity in Shenzhen GSK-Neptunus Biologicals Co., Ltd. ("GSK-Neptunus") and expansion of total share capital and re-appointment of Directors of the Company. During the Year, Neptunus Fuyao with its subsidiaries have achieved sustainable development in several drug categories, including transfusion, generic drugs, herbal medicine and anti-tumor drugs, etc., while early stage preparation for the second production base advanced steadily. Jiangsu Neptunus's construction of its production base proceeded as planned in the Year, and its phase I clinical work for the new product, recombinant human thymosin α1 for injection, progressed smoothly. The Company is also engaged in the study of recombinant proteins and polypeptide drugs as well as provision of research and development ("R&D") services, in order to research on and develop high-end biological products through these various cooperative modes.

Neptunus Fuyao, a subsidiary of the Company, is a modernized pharmaceutical enterprise with the largest scale of dosage and the most comprehensive range of Chinese and Western medicine in Fujian Province. It is also one of the 100 Key Enterprises of Fujian Province (福建省的百家重點企業). Neptunus Fuyao, together with its subsidiaries, own more than 450 pharmaceutical production permits and 17 types of dosage medicine covering several categories, including transfusion, generic drugs, herbal medicine and anti-tumor drugs, etc.. The trade mark of "Neptunus Fuyao" and "Fuzhou Jinxiang" are well-known in Fujian Province. Although prices of raw materials used in production of domestic medicine and labour costs have surged, Neptunus Fuyao adopted various measures to eliminate the adverse impact of the above, through which it has kept its turnover and profitability and provided stable sources for the Group's operating income and profitability. With the saturating production capacity, Neptunus Fuyao planned to tender for an industrial land of 270 acres in the provincial economic development zone of Lianjiang County, Fuzhou City in the Year, intending to establish the second production and R&D base, which would be managed and regulated in strict compliance with requirements of the new GMP, policies and regulations on medicine of the State and international advanced pharmaceutical production qualifications, with a view to establishing a production and R&D base for various medicines and health care products including modernized Chinese medicine, bio-pharmaceuticals and basic drugs for Neptunus Fuyao, and lay a solid foundation for the Group's future expansion and development.

Jiangsu Neptunus, a wholly-owned subsidiary of the Company, was established with the aim of undertaking research and development and commercialization of recombinant proteins and polypeptide drugs (including but not limited to recombinant human thymosin α1 for injection). At present, the Group plans to increase the registered capital of Jiangsu Neptunus to RMB90,000,000. Construction of the production base of Jiangsu Neptunus for recombinant protein and polypeptide drugs in Taizhou has commenced in the Year and the progress was smooth. Phase I clinical research on recombinant human thymosin α1 for injection has also begun and was progressing well. It is expected that Jiangsu Neptunus's business of recombinant proteins and polypeptide drugs will provide the Group with new opportunity to enhance its future profits.

The Company has also been focusing on the R&D business, and provides R&D services to Shenzhen Neptunus Pharmaceutical Co., Ltd. ("Neptunus Pharmaceutical"), a subsidiary of Shenzhen Neptunus Bio-engineering Co., Ltd. ("Neptunus Bio-engineering"). In addition to provision of R&D services to related companies, the Company is committed to the research of its own biological R&D projects and seeking external R&D projects of new product type, so as to explore new directions for the Company's future development.

The board of Directors (the "Board") believes the business of the Group is developing well and is confident about the business prospects of the Group. On behalf of the Company and the Board, I would like to express my heartfelt gratitude to all shareholders, business partners and staff for their continuing support to and trust in the Group.

Zhang Feng
Chairman

The Board announces the audited consolidated results of the Group for the year ended 31 December 2011 together with the comparative figures for the previous year as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2011

	Note	2011 RMB'000	2010 (Restated) RMB'000
CONTINUING OPERATIONS			
TURNOVER	3, 9	**474,652**	38,256
COST OF SALES		**(309,811)**	(25,876)
GROSS PROFIT		**164,841**	12,380
OTHER REVENUE	4	**9,965**	8,301
OTHER NET INCOME	4	**1,823**	185
Selling and distribution expenses		**(63,772)**	(7,232)
Administrative expenses		**(48,272)**	(22,280)
Other operating expenses		**(20,772)**	(11,014)
PROFIT/(LOSS) FROM OPERATIONS		**43,813**	(19,660)
Finance costs	5(a)	**(13,876)**	(15,330)
PROFIT/(LOSS) BEFORE TAXATION	5	**29,937**	(34,990)
Income tax	6(a)	**(13,045)**	131
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		**16,892**	(34,859)
DISCONTINUED OPERATION			
Profit from discontinued operation	10	**12,561**	4,478
PROFIT/(LOSS) FOR THE YEAR		**29,453**	(30,381)
Attributable to:			
Owners of the Company		**21,686**	(30,104)
Non-controlling interests		**7,767**	(277)
		29,453	(30,381)
Earnings/(loss) per share			
From continuing and discontinued operations			
Basic and diluted	8	**RMB1.29 cents**	RMB(3.00) cents
From continuing operations			
Basic and diluted		**RMB0.54 cents**	RMB(3.44) cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	2011	2010 (Restated)
	RMB'000	*RMB'000*
Profit/(loss) for the year	**29,453**	(30,381)
Other comprehensive income/(loss) for the year		
Exchange differences on translation of:		
– Financial statements of a jointly controlled entity	**–**	(4,120)
Reclassification adjustment for exchange difference relating to disposal of a jointly controlled entity	**4,155**	–
Total other comprehensive income/(loss) for the year, net of tax	**4,155**	(4,120)
Total comprehensive income/(loss) for the year	**33,608**	(34,501)
Attributable to:		
Owners of the Company	**25,841**	(34,224)
Non-controlling interests	**7,767**	(277)
Total comprehensive income/(loss) for the year	**33,608**	(34,501)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2011

	Note	**2011** *RMB'000*	2010 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**131,045**	326,897
Prepaid lease payments		**70,299**	90,668
Intangible assets		**135,376**	138,695
Deposit for acquisition of property, plant and equipment		**5,369**	1,144
Deposit for acquisition of land		**8,630**	–
Available-for-sale investments		**300**	60
Deferred tax assets		**1,548**	1,898
		352,567	559,362
CURRENT ASSETS			
Inventories		**94,334**	89,434
Trade and other receivables	*11*	**77,573**	84,208
Pledged bank deposit		**10,168**	5,640
Cash and cash equivalents		**226,675**	247,056
		408,750	426,338
CURRENT LIABILITIES			
Trade and other payables	*12*	**132,226**	248,847
Interest-bearing bank borrowings		**76,000**	106,000
Entrusted loans from the immediate parent company		**9,000**	48,000
Current taxation		**6,076**	7,846
		(223,302)	(410,693)
NET CURRENT ASSETS		**185,448**	15,645
TOTAL ASSETS LESS CURRENT LIABILITIES		**538,015**	575,007

	2011	2010
	RMB'000	*RMB'000*
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	**–**	62,000
Deferred revenue	**11,443**	16,843
Deferred tax liabilities	**40,296**	40,296
	(51,739)	(119,139)
NET ASSETS	**486,276**	455,868
EQUITY		
Equity attributable to owners of the Company		
Share capital	**167,800**	167,800
Reserves	**248,873**	223,042
	416,673	390,842
NON-CONTROLLING INTERESTS	**69,603**	65,026
TOTAL EQUITY	**486,276**	455,868

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

As at 31 December 2011

	Attributable to owners of the Company								
	Share capital *RMB'000*	Share premium *RMB'000*	Statutory reserve fund *RMB'000*	Exchange reserve *RMB'000*	Capital reserve *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 1 January 2010	94,667	41,923	3,330	(35)	–	(106,534)	33,351	—	33,351
Change in equity for 2010									
Loss for the year	–	–	–	–	–	(30,104)	(30,104)	(277)	(30,381)
Exchange difference on translation of financial statements of a jointly controlled entity	–	–	–	(4,120)	–	–	(4,120)	–	(4,120)
Total comprehensive income for the year, net of tax	–	–	–	(4,120)	–	(30,104)	(34,224)	(277)	(34,501)
Issue of new shares	54,200	390,240	–	–	–	–	444,440	–	444,440
Non-controlling interests arising on the acquisition of Neptunus Fuyao	–	–	–	–	–	–	–	65,103	65,103
Formation of subsidiary	–	–	–	–	–	–	–	200	200
Placing and subscription of new H shares	18,933	126,312	–	–	–	–	145,245	–	145,245
Share issue expenses	–	(3,631)	–	–	–	–	(3,631)	–	(3,631)
Deemed distribution arising on the acquisition of Neptunus Fuyao	–	–	–	–	(194,339)	–	(194,339)	–	(194,339)
Transfer to other reserves	–	–	4,972	–	–	(4,972)	–	–	–
At 31 December 2010 and 1 January 2011	**167,800**	**554,844**	**8,302**	**(4,155)**	**(194,339)**	**(141,610)**	**390,842**	**65,026**	**455,868**
Change in equity for 2011									
Profit for the year	–	–	–	–	–	**21,686**	**21,686**	**7,767**	**29,453**
Disposal of interest in a jointly controlled entity	–	–	–	**4,155**	–	–	**4,155**	–	**4,155**
Total comprehensive income for the year, net of tax	–	–	–	**4,155**	–	**21,686**	**25,841**	**7,767**	**33,608**
Acquisition of non-controlling interests in subsidiary	–	–	–	–	–	**(10)**	**(10)**	**(190)**	**(200)**
Dividend paid from subsidiary to non-controlling interests	–	–	–	–	–	–	–	**(3,000)**	**(3,000)**
Transfer to other reserves	–	–	**3,974**	–	–	**(3,974)**	–	–	–
At 31 December 2011	**167,800**	**554,844**	**12,276**	**–**	**(194,339)**	**(123,908)**	**416,673**	**69,603**	**486,276**

1. Significant Accounting Policies

a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those set out in the Group's 2010 annual financial statements except for changes in accounting policies, if required, in adopting new or revised HKFRSs and interpretations that are first effective for accounting periods beginning on or after 1 January 2011. Note 2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

The consolidated financial statements are presented in Renminbi ("RMB"), which is the functional currency of the Company. All amounts are rounded to the nearest thousand except where otherwise indicated.

2. Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs")

In the current year, the Group has applied the following new and revised HKFRSs issued by the HKICPA.

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
HKAS 24 (as revised in 2009)	Related Party Disclosures
Amendments to HKAS 32	Classification of Rights Issues
Amendments to HK(IFRIC) – Int 14	Prepayments of a Minimum Funding Requirement
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

Except as described below, the application of the new and revised HKFRSs in the current year has had no material effect on the Group's financial performance and positions for the current and prior accounting periods and/or on the disclosures set out in these financial statements.

HKAS 24 Related Party Disclosures (as revised in 2009)

HKAS 24 (revised 2009) revises the definition of a related party. As a result, the Group has re-assessed the identification of related parties and concluded that the revised definition does not have any material impact on the Group's related party disclosures in the current and previous period. HKAS 24 (revised 2009) also introduces modified disclosure requirements for government-related entities. This dose not impact the Group because no entity within the Group is a government-related entity.

Improvements to HKFRSs issued in 2010

Improvements to HKFRSs issued in 2010 omnibus standard introduces a number of amendments to the disclosure requirements in HKFRS 7 Financial instruments: Disclosures. The disclosures about the Group's and the Company's financial instruments have been conformed to the amended disclosure requirements. These amendments do not have any material impact on the classification, recognition and measurements of the amounts recognised in the financial statements in the current and previous periods.

3. Turnover

The principal activities of the Group are the research and development ("R&D") of modern biological technology and the provision of R&D services, production and sales medicines in the People's Republic of China (the "PRC").

Turnover represents the net invoiced value of goods sold net of value-added tax, after allowances for returns and trade discounts and net invoiced value of R&D services provided net of sales tax.

	2011	2010
	RMB'000	*RMB'000*
Sales of medicines	**472,652**	35,608
R&D service income	**2,000**	2,648
	474,652	38,256

4. Other Revenue and Other Net Income

	Continuing operations		**Discontinued operation**		**Consolidated**	
	2011	2010 (Restated)	**2011**	2010 (Restated)	**2011**	2010 (Restated)
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Other revenue						
Interest income from bank deposits	**1,133**	304	**8**	60	**1,141**	364
Total interest income on financial assets not at fair value through profit or loss	**1,133**	304	**8**	60	**1,141**	364
Subsidy income released from deferred revenue	**8,121**	7,896	**–**	–	**8,121**	7,896
Others	**711**	101	**–**	–	**711**	101
	9,965	8,301	**8**	60	**9,973**	8,361
Other net income						
Gain on partial disposal of 9% equity interest of a jointly controlled entity	**–**	–	**–**	28,674	**–**	28,674
Gain on disposal of 51% equity interest of a jointly controlled entity	**–**	–	**21,030**	–	**21,030**	–
Recovery of impairment on trade receivables before the acquisition	**1,251**	–	**–**	–	**1,251**	–
Reversal of impairment on other receivables	**572**	69	**–**	–	**572**	69
Reversal of write-down of inventories	**–**	116	**–**	–	**–**	116
	1,823	185	**21,030**	28,674	**22,853**	28,859

5. Profit/(Loss) before Taxation

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

	Continuing operations		Discontinued operation		Consolidated	
	2011	2010 (Restated)	**2011**	2010 (Restated)	**2011**	2010 (Restated)
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
a) Finance costs						
Interest on bank loans wholly repayable within five years	**7,532**	6,913	**208**	–	**7,740**	6,913
Interest on financial assistance from the immediate parent company	**4,586**	4,711	**–**	–	**4,586**	4,711
Interest on entrusted loans from the immediate parent company	**1,758**	3,706	**–**	–	**1,758**	3,706
Total interest expense on financial liabilities not at fair value through profit or loss	**13,876**	15,330	**208**	–	**14,084**	15,330
b) Staff costs (including director's remuneration)						
Contributions to defined contribution retirement plan	**9,586**	1,005	**251**	741	**9,837**	1,746
Salaries, wages and other benefits	**38,441**	8,380	**2,405**	8,657	**40,846**	17,037
	48,027	9,385	**2,656**	9,398	**50,683**	18,783
c) Other items						
Amortisation						
– prepaid lease payments	**1,570**	130	**246**	468	**1,816**	598
– intangible assets *	**3,968**	512	**–**	–	**3,968**	512
Depreciation						
– assets held for own use under operating leases	**3,032**	246	**1,750**	3,047	**4,782**	3,293
– other assets	**13,023**	4,163	**764**	911	**13,787**	5,074
Impairment of						
– trade receivables *	**–**	689	**–**	–	**–**	689
– other receivables *	**33**	88	**–**	–	**33**	88
– property, plant and equipment *	**–**	1,859	**–**	9,292	**–**	11,151
Write down of inventories *	**435**	149	**–**	–	**435**	149
Net foreign exchange loss	**4,039**	2,290	**89**	636	**4,128**	2,926
Loss on disposal of property, plant and equipment *	**631**	1,298	**–**	44	**631**	1,342
Auditor's remuneration						
– audit services	**1,300**	1,300	**–**	–	**1,300**	1,300
– other services	**410**	554	**–**	–	**410**	554
Operating lease charges: minimum lease payment	**526**	338	**–**	–	**526**	338
Cost of inventories	**305,034**	19,549	**–**	–	**305,034**	19,549
R&D costs *	**13,275**	6,141	**–**	–	**13,275**	6,141

* These amounts of continuing operations are included in "Other operating expenses" on the face of the consolidated income statement.

6. Income tax in the Consolidated Income Statement

a) Income tax in the consolidated income statement represents:

	2011	2010
	RMB'000	*RMB'000*
Current tax		
PRC Enterprise Income Tax	**12,695**	–
Over provision for PRC Enterprise income tax	**–**	(366)
Deferred tax		
Origination and reversal of temporary differences	**350**	235
	13,045	(131)

Hong Kong Profits Tax has not been provided as the Group has no income assessable to Hong Kong Profits Tax. (2010: Nil)

The PRC enterprise income tax rate (the "EIT") for the year ended 31 December 2011 is 25% (2010: 25%).

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

	2011	2010
	RMB'000	*RMB'000*
Profit/(loss) before taxation		
– Continuing operations	**29,937**	(34,990)
– Discontinued operation	**12,561**	4,478
Notional tax on profit/(loss) before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	**10,628**	(7,627)
Tax effect of non-deductible expenses	**1,389**	5,537
Tax effect of non-taxable income	**(5,258)**	(7,325)
Tax effect of unused tax losses not recognised	**6,286**	9,284
Actual tax expenses	**13,045**	(131)

7. Dividends

The directors do not propose the payment of any dividend for the year ended 31 December 2011 (2010: nil).

8. Earnings/(Loss) Per Share

a) For continuing and discontinued operation

The calculation of basic earnings/(loss) per share is based on the profit attributable to owners of the Company of approximately RMB21,686,000 (2010: loss of approximately RMB30,104,000) and the weighted average number of 1,678,000,000 ordinary shares (2010: 1,004,002,000 ordinary shares) issued during the year.

i) Weighted average number of ordinary shares

	Weighted average number of ordinary shares	
	2011	2010
	'000	*'000*
Issued ordinary shares at 1 January	**1,678,000**	946,670
Effect of issue of new shares by placement	**–**	30,604
Effect of issue of new shares for the acquisition of subsidiaries	**–**	26,728
Weighted average number of ordinary shares at 31 December	**1,678,000**	1,004,002

b) For continuing operations

The calculation of basic earnings/(loss) per share is based on the profit/(loss) attributable to owners of the Company of approximately RMB9,125,000 (2010: loss of approximately RMB34,582,000) and the denominators used are same on those detailed above for basic earnings/(loss) per share from continuing and discontinued operations.

c) For discontinued operation

Basic earnings per share for the discontinued operation is RMB0.75 cents per share (2010: RMB0.44 cents per share) which is based on the profit from the discontinued operation of approximately RMB12,561,000 (2010: RMB4,478,000) and the denominators used are same as those detailed above for basic earnings/(loss) per share from continuing and discontinued operations.

d) Diluted earnings/(loss) per share

Diluted earnings/(loss) per share equals to basic earnings/(loss) per share as there were no potential dilutive ordinary shares outstanding for both years presented.

9. 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 director for the purposes of resource allocation and performance assessment, the Group has presented the following two reportable segments. No operating segments have been aggregated to form the following reportable segments.

i) Manufacturing and selling of medicine products

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

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

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

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

a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's executive director 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 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 segments profit is "adjusted EBITDA" i.e. "adjusted earnings before interest, taxes, depreciation and amortisaiton", where "interest" is regarded as including investment income and "depreciation and amortisation" is regarded as including impairment losses on non-current assets. To arrive at adjusted EBITDA the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as directors' and auditors' remuneration and other head office or corporate administration costs.

In addition to receiving segment information concerning adjusted EBITDA, management is provided with segment information concerning revenue (including inter-segment sales), interest income and expense from cash balances and borrowings managed directly by the segments, depreciation, amortisation and impairment losses and additions to non-current segment assets used by the segments in their operations. 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 of segment performance for the year ended 31 December 2011 and 2010 is set out below.

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

	Continuing operations					
	Manufacturing and selling of medicine products		R&D services		Total	
For the year ended 31 December	**2011**	2010	**2011**	2010 (Restated)	**2011**	2010 (Restated)
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Segment revenue						
Revenue from external customers	**472,652**	35,608	**2,000**	2,648	**474,652**	38,256
Inter-segment revenue	**–**	–	**–**	–	**–**	–
Reportable segment revenue	**472,652**	35,608	**2,000**	2,648	**474,652**	38,256
Reportable segment profit/(loss) before taxation	**67,546**	(1,419)	**(10,618)**	(16,611)	**56,928**	(18,030)
Interest income from bank deposits	**922**	208	**211**	96	**1,133**	304
Interest expenses	**6,136**	463	**7,740**	14,867	**13,876**	15,330
Depreciation and amortisation						
– Property, plant and equipment	**12,922**	1,032	**3,133**	3,377	**16,055**	4,409
– Prepaid lease payment	**1,570**	130	**–**	–	**1,570**	130
– Intangible assets	**3,950**	372	**18**	140	**3,968**	512
Written down/(reversal of written down) of inventory	**435**	149	**–**	(116)	**435**	33
Impairment of property, plant and equipment	**–**	–	**–**	1,859	**–**	1,859
(Recovery)/impairment of						
– trade receivables	**–**	689	**–**	–	**–**	689
– other receivables	**(126)**	14	**(413)**	5	**(539)**	19
Recovery of impairment on trade receivables before the acquisition	**(1,251)**	–	**–**	–	**(1,251)**	–
Income tax expense	**13,288**	(131)	**(243)**	–	**13,045**	(131)
Reportable segment assets	**584,667**	564,240	**174,850**	182,409	**759,517**	746,649
Additions to non-current assets (other than financial instrument and deferred tax assets)	**12,341**	1,595	**1,590**	764	**13,931**	2,359
Reportable segment liabilities	**196,594**	206,281	**32,123**	269,439	**228,717**	475,720

The Group's customer base is diversified and there is no customer with whom transactions have exceeded 10% of the Group's revenue.

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

	2011	2010
		(Restated)
	RMB'000	*RMB'000*
Revenue		
Reportable segment revenue	**474,652**	38,256
Elimination of inter-segment revenue	**–**	–
Consolidated turnover	**474,652**	38,256
Profit/(loss)		
Reportable segment profit/(loss)	**56,928**	(18,030)
Elimination of inter-segment profit	**–**	–
Reportable segment profit/(loss) derived from the Group's external customers	**56,928**	(18,030)
Other revenue and other net income	**11,788**	8,486
Depreciation and amortisation	**(21,593)**	(5,051)
Finance costs	**(13,876)**	(15,330)
Impairment losses on non-current assets	**–**	(1,859)
Unallocated head office and corporate expense	**(3,310)**	(3,206)
Consolidated profit/(loss) before taxation	**29,937**	(34,990)
Assets		
Reportable segment assets	**759,517**	746,649
Elimination of inter-segment receivables	**(48)**	(324)
	759,469	746,325
Assets relating to R&D services for GSK-Neptunus (Discontinued in 2011)	**–**	237,417
Unallocated head office and corporate assets	**300**	60
Deferred tax assets	**1,548**	1,898
Consolidated total assets	**761,317**	985,700
Liabilities		
Reportable segment liabilities	**228,717**	475,720
Elimination of inter-segment payables	**(48)**	(324)
	228,669	475,396
Tax payable	**6,076**	7,846
Deferred tax liabilities	**40,296**	40,296
Liabilities relating to R&D services for GSK-Neptunus (Discontinued in 2011)	**–**	6,294
Unallocated head office and corporate liabilities	**–**	–
Consolidated total liabilities	**275,041**	529,832

c) **Geographic Information**

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

10. Discontinued Operation

On 13 June 2011, the Company and GlaxoSmithKline Pte Limited ("GSK") entered into an agreement pursuant to which the Company agreed to sell its 51% equity interest in GSK-Neptunus to GSK at a consideration of US$39,000,000, subject to the terms and conditions of the agreement. All necessary internal approvals and procedures of the Company and GSK respectively for the disposal, including without, limitation the approval by the board of directors and the shareholders meeting of the Company and the approval by the board of directors of the Company's holding company, Neptunus Bio-engineering, have been duly obtained and completed. On 2 August 2011, the transaction was approved by the shareholders in the extraordinary general meeting. On 20 September 2011, the transaction was completed and GSK-Neptunus ceased to be a jointly controlled entity of the Company.

The results of the discontinued operation included in the consolidated income statement, consolidated statement of comprehensive income and consolidated statement of cash flows are set out below. The comparative profit and cash flows from discontinued operation have been re-presented to include those operations classified as discontinued in the current year.

	2011	2010
	RMB'000	*RMB'000*
Turnover	**–**	–
Cost of sales	**–**	–
Gross profit	**–**	–
Other revenue	**8**	60
Other net income	**21,030**	28,674
Selling and distribution expenses	**–**	–
Administrative expenses	**(8,188)**	(14,920)
Other operating expenses	**(81)**	(9,336)
Profit from operations	**12,769**	4,478
Finance costs	**(208)**	–
Profit before taxation	**12,561**	4,478
Income tax	**–**	–
Profit for the year from discontinued operation	**12,561**	4,478
Attributable to:		
Owners of the Company	**12,561**	4,478

Cash flows from discontinued operation:

	2011 *RMB'000*	2010 *RMB'000*
Net cash used in operation activities	**(30,605)**	(31,422)
Net cash used in investing activities	**(25,748)**	(134,230)
Net cash generated from financing activities	**40,000**	117,989
Net cash outflows	**(16,353)**	(47,663)

11. Trade and Other Receivables

	Note	2011 *RMB'000*	2010 *RMB'000*
Trade and bill receivables		**61,780**	58,307
Less: allowance for doubtful debts		**(982)**	(982)
		60,798	57,325
Amounts due from fellow subsidiaries	*(i)*	**4,097**	1,396
Amount due from a jointly controlled entity	*(i)*	**–**	296
Amounts due from related companies	*(i)*	**3,107**	546
Amount due from immediate parent company	*(i)*	**2,161**	10,254
Other receivables		**2,922**	9,300
Loans and receivables		**73,085**	79,117
Prepayments and deposits		**4,488**	5,091
		77,573	84,208

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

Note:

i) The amounts are unsecured, interest-free and repayable within one year.

a) Ageing analysis

An ageing analysis of trade receivables net of allowance for doubtful debts of approximately RMB982,000 (2010: RMB982,000) as at the end of the reporting period is as follows:

	2011	2010
	RMB'000	*RMB'000*
Within 3 months	**42,065**	43,204
More than 3 months but less than 12 months	**18,449**	13,315
Over 12 months	**284**	806
	60,798	57,325

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

b) Impairment of trade receivables

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly.

Movements in the allowance for doubtful debts

	Note	**2011**	2010
		RMB'000	*RMB'000*
At 1 January		**982**	308
Impairment loss recognised	*(i)*	**–**	689
Uncollectible amounts written off	*(ii)*	**–**	(15)
At 31 December		**982**	982

Notes:

i) As at 31 December 2011, trade receivables of the Group amounting to RMBNil (2010: RMB689,000) were individually determined to be impaired and allowance had been made. These individually impaired receivables were outstanding for over 1 year as at the end of the reporting period or were due from companies with financial difficulties.

ii) RMBNil (2010: RMB15,000) of the trade receivables previously considered as impaired and provided for was written off in 2011. The amount represented the long-outstanding trade receivables which were not collectable.

iii) The Group does not hold any collateral over these balances.

c) **Trade receivables that are not impaired**

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

	2011	2010
	RMB'000	*RMB'000*
Neither past due nor impaired	**51,858**	46,370
Past due but not impaired		
1 to 3 months past due	**6,652**	6,941
Over 3 months past due	**2,288**	4,014
	60,798	57,325

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

12. Trade And Other Payables

	Note	**2011**	2010
		RMB'000	*RMB'000*
Trade and bills payables		**72,373**	57,524
Receipts in advances		**5,497**	10,750
Other payables and accruals		**35,056**	40,396
Amount due to a related company	*(i)*	**–**	4,201
Amount due to fellow subsidiaries	*(i)*	**867**	596
Amount due to the immediate parent company	*(i) & (ii)*	**18,433**	135,380
Financial liabilities measured at amortised cost		**132,226**	248,847

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

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

	2011	2010
	RMB'000	*RMB'000*
Within 3 months	**50,830**	49,798
4 to 6 months	**10,923**	2,737
7 to 12 months	**7,577**	1,298
Over 1 year	**3,043**	3,691
	72,373	57,524

Note:

i) The amounts are unsecured, interest free and repayable within one year.

ii) The amounts are unsecured, interest free and repayable within one year (2010: interest bearing from 5.31% to 5.81%).

13. Comparative figure

The Group disposed of certain operations which constituted discontinued operation under HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations". Therefore, the results derived from such operations are presented as discontinued operation in the current year. The comparative figures for the corresponding year have been reclassified to conform with the current year's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the Year, the Group was principally engaged in various medicine businesses such as herbal medicine, generic drugs, transfusion and anti-tumor drugs and the research and development of modern biological technology (the "R&D Business"). On 13 June 2011, the Company and GlaxoSmithKline Pte Limited ("GSK") entered into an agreement (the "Equity Transfer Agreement") in relation to the disposal (the "Disposal") of 51% equity interests (the "Equity Interests") in GSK-Neptunus, which was completed on 20 September 2011.

NEPTUNUS FUYAO BUSINESS

Neptunus Fuyao is a subsidiary of the Company. Neptunus Fuyao and its subsidiaries together own more than 40 production lines for 17 types of medications in dose form, all of which have passed the GMP qualifications and obtained the relevant national GMP certificates. In addition, Neptunus Fuyao and its subsidiaries together own 450 approvals in relation to the production of drugs. China's generic drugs market is currently growing rapidly. During the Year, Neptunus Fuyao operated normally and recorded an income from principal business totaling approximately RMB472,652,000 while continuing on a steady developing trend.

During the Year, prices of raw materials used in domestic pharmaceutical production and labour costs increased drastically, and at the same time open tender caused the price decrease in part of tender products. Neptunus Fuyao is implementing following procedures to eliminate the negative impact resulted from aforesaid reasons: (i) controlling related production costs; (ii) optimizing product mix and improving the sales proportion for products with higher gross profit margin; and (iii) increasing the sales price for scarce products and exclusive products in the market.

As the existing production capacities of Neptunus Fuyao and its subsidiaries are almost fully utilised, the Group intends to construct a new production base at Lianjiang County, Fuzhou City. The Company intends to grant proceeds from the Disposal of approximately RMB 40,000,000 as a loan to Neptunus Fuyao for its construction of that new production base. In addition, the Company has already used the proceeds from the Disposal of approximately RMB130,000,000 to repay the interest-bearing financial assistance and entrusted loans due to Neptunus Bio-engineering. It is expected that Neptunus Bio-engineering will use approximately RMB80,000,000 upon receipt of such repayment to grant a loan to Neptunus Fuyao for its construction of the new production base.

As the preliminary preparation work for the construction of the new production base, during the Year, 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. Its business scope is production of chemical medicine (籌建化學藥品製藥製劑製造) with a registered capital of RMB50,000,000, among which RMB9,500,000 and RMB500,000 was contributed by Neptunus Fuyao and Neptunus Fuyao's subsidiary Fuzhou Neptunus Jinxiang Chinese Pharmaceutical Company Limited ("Neptunus Jinxiang") 福州海王金象中藥製藥有限公司 in cash as at 31 December 2011, which hold 95% and 5% interests in Neptunus Fuyao Lianjiang , respectively. The second subsidiary is Neptunus Jinxiang Chinese Pharmaceutical (Lianjiang) Co., Ltd. ("Neptunus Jinxiang Lianjiang") 海王金象中藥製藥(連江)有限公司. Its business scope is production of chemical medicine (籌建化學藥品製藥製劑製造) with a registered capital of RMB50,000,000, among which RMB500,000 and RMB9,500,000 was contributed by Neptunus Fuyao and Neptunus Jinxiang in cash as at 31 December 2011, which hold 5% and 95% interests in Neptunus Jinxiang Lianjiang, respectively. The third subsidiary is Lianjing Neptunus Fuyao Foods Trading Co., Ltd. ("Lianjing Neptunus Foods") 連江縣海王福藥食品貿易有限公司. Its business scope is wholesale and retail of prepackaged foods (批發兼零售預包裝食品) with a registered capital of RMB500,000, among which RMB475,000 and RMB25,000 was contributed by Neptunus Fuyao and Neptunus Jinxiang in cash as at 31 December 2011, which hold 95% and 5% interests in Lianjing Neptunus Foods, respectively.

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

RECOMBINANT PROTEINS AND POLYPEPTIDE DRUGS BUSINESS

In 2010, the Company and Neptunus Pharmaceutical established a subsidiary Taizhou Neptunus with a registered capital of RMB1,000,000, among which RMB800,000 and RMB200,000 was contributed by the Company and Neptunus Pharmaceutical, respectively, which hold 80% and 20% interests in Taizhou Neptunus, respectively. The business scope of Taizhou Neptunus as set out in its business license is the R&D of bio-pharmaceutical products.

On 8 June 2011, the Company acquired 20% equity interests in Taizhou Neptunus held by Neptunus Pharmaceutical at a consideration of RMB200,000. Following completion of the equity transaction, Taizhou Neptunus became a wholly-owned subsidiary of the Company. The registered capital of Taizhou Neptunus was increased to RMB10,000,000 through additional capital contribution of RMB 9,000,000 by the Company on the same date.

Taizhou 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). In October 2011, Taizhou Neptunus conducted phase I clinical trial on recombinant human thymosin $\alpha 1$ for injection, utilizing the "approval for recombinant human thymosin $\alpha 1$ clinical research", an intangible asset then owned by Neptunus Pharmaceutical. Since phase I clinical trial has proceeded smoothly, the Company planned to contribute further RMB80,000,000 into Taizhou Neptunus to increase its registered capital to RMB90,000,000, and to support the construction of the recombinant proteins and polypeptide drugs production base ("Taizhou Production Base") and planned to purchase the related intangible assets, so as to realize the industrialization of these products.

The Board of the Company passed a resolution in respect of the "additional capital contribution of RMB80,000,000 to Taizhou Neptunus, its wholly owned subsidiary" on 4 November 2011. The contribution of RMB80,000,000 will be made in stages according to construction progress of Taizhou Production Base and progress of foreign exchange translation of the Company.

On 10 January 2012, Taizhou Neptunus changed its name to Jiangsu Neptunus Bio-pharmaceutical Company Limited ("Jiangsu Neptunus"), with Mr. Zhang Feng as corporate legal representative and with R&D of bio-pharmaceutical products and sale of class 1 medical equipment as its business scope. As at the date hereof, Taizhou Production Base of Jiangsu Neptunus is in the stage of purifying renovation, and the construction is properly implemented according to project plan and the progress is smooth.

R&D BUSINESS

Since January 2009, the Company has been focusing on the R&D Business and the expansion of the R&D Business by providing R&D services to Neptunus Bio-engineering and its subsidiaries. The R&D Business generated a revenue of approximately RMB2,000,000 for the Company during the Year. The Company also endeavored to seek R&D projects for new products externally, thereby exploring a new direction for its future development.

Subsequent to the end of the Year, the Company entered into a technical cooperation agreement with School of Life Sciences, Jilin University on 1 March 2012 to cooperate in R&D of polypeptide and chemicals primarily by microsphere technology and to explore the possibility of establishing a more advanced platform for long term drug delivery technology. The Company is negotiating with third parties on cooperative R&D and commercialization of bio-technology projects.

INFLUENZA VACCINE BUSINESS

On 9 June 2009, the Company and GSK entered into the joint venture contract (the "JV Contract"), pursuant to which GSK-Neptunus, the jointly controlled entity, was subsequently established on 6 August 2009.

On 13 June 2011, the Company and GSK entered into the Equity Transfer Agreement, pursuant to the terms and conditions of the Equity Transfer Agreement, the Company agreed to sell the Equity Interests to GSK at a consideration of USD39,000,000, which was arrived at after arm's length negotiations between the Company and GSK with reference to the unaudited net asset value of GSK-Neptunus as at 31 May 2011 and the fair value of the Equity Interests as at 31 May 2011.

The Disposal was approved at the extraordinary general meeting of the Company on 2 August 2011 and completed on 20 September 2011. Upon completion of the Disposal, GSK-Neptunus ceased to be a jointly controlled entity of the Company and the Company does not hold any equity interests in GSK-Neptunus. During the fourth quarter of the Year, the Company has received remittance of the consideration of USD39,000,000 for the Disposal.

FINANCIAL REVIEW

The Group's turnover for the Year was approximately RMB474,652,000, representing an increase of 1,141% from that of approximately RMB38,256,000 in the corresponding period last year. Turnover for the Year was mainly derived from sales income of medicine products of a subsidiary, Neptunus Fuyao, and revenue of R&D Business. Sales income and revenue of R&D Business accounted for 99.6%and 0.4% of the total revenue respectively. The increase in turnover was because that Neptunus Fuyao became a subsidiary of the Company in December 2010 and its sales income of medicine was approximately RMB472,652,000.

The Group's gross profit and gross profit margin for the Year were approximately RMB164,841,000 and 35% respectively, increasing by RMB152,461,000 and 3% respectively compared with that of the corresponding period last year. The increase in gross profit was because that Neptunus Fuyao, which became a subsidiary of the Company in December 2010, had a gross profit of approximately RMB164,625,000.

The Group's other revenue and other net income for the Year was approximately RMB32,826,000, decreasing by approximately RMB4,394,000 as compared with that of the corresponding period last year, representing a decrease of approximately 12%. The decrease in other revenue and other net income was mainly due to the fact that the Group sold Equity Interests in GSK-Neptunus held by the Company during the Year, the gain of which was slightly lower than that of last year.

The Group's selling and distribution costs for the Year amounted to approximately RMB63,772,000, increasing by approximately RMB56,540,000 compared with that of the corresponding period last year, representing an increase of approximately 782%. The increase was due to the fact that Neptunus Fuyao, which became a subsidiary of the Company in December 2010, had selling costs of approximately RMB63,772,000. Save for Neptunus Fuyao, no other company incurred selling and distribution costs.

The Group's administrative expenses for the Year amounted to approximately RMB56,460,000, increasing significantly by approximately RMB19,260,000 from approximately RMB37,200,000 in the corresponding period last year, representing an increase of approximately 52%. The increase in administrative expenses was because of three reasons: (i) Neptunus Fuyao, which became a subsidiary of the Company in 2010, had administrative expenses of approximately RMB44,278,000 this Year, where in December 2010, it had administrative expenses of approximately RMB5,514,000; (ii) the Group completed the issuing and allotment of 189,330,000 new H shares and received net proceeds of approximately HK$164,252,000 in 2010, in addition, the Group completed the Disposal this Year, receiving a consideration of USD39,000,000. Due to China foreign exchange control and the appreciation of Renminbi, an exchange loss of approximately RMB4,128,000 was incurred in this Year; and (iii) the extraordinary general meeting of the Company held on 2 August 2011 approved the Disposal, GSK-Neptunus's operation conditions no longer consolidated into the Group.

The Group's other operating expenses for the Year amounted to approximately RMB20,853,000, increasing by approximately RMB503,000 from approximately RMB20,350,000 in the corresponding period last year. Neptunus Fuyao, which became a subsidiary of the Company in December 2010, had R&D expenses of approximately RMB9,933,000 this Year, and the assets impairment loss of GSK-Neptunus of approximately RMB9,292,000 in the corresponding period last year did not occur this Year.

The Group's finance costs for the Year was approximately RMB14,084,000, a decrease of approximately RMB1,246,000 from approximately RMB15,330,000 in the corresponding period last year. The decrease was primarily because of that the Company repaid the long-term loan from China Development Bank, and it no longer had obligation to pay interests accrued on such long-term loan.

The Group's profit/(loss) before taxation for the Year changed from loss of approximately RMB30,512,000 in the corresponding period last year to profit of approximately RMB42,498,000. Such change was mainly because of that the Company acquired 80% equity interests in Neptunus Fuyao, a company who has a steady profit, and of the completion of Disposal.

As such, profit attributable to the owners of the Company amounted to approximately RMB21,686,000 for the Year, compared with loss of approximately RMB30,104,000 for the corresponding period last year.

LIQUIDITY AND FINANCIAL RESOURCES

The Group usually finances its operating and investing activities with its internal financial resources and bank loans. The Group's transactions are mainly denominated in Renminbi and the Group reviews its working capital and finance requirements on a regular basis.

As at 31 December 2011, the Group's total borrowings were RMB76,000,000, of which all were short-term bank borrowings

BANKING FACILITIES

On 23 May 2006, the Company entered into a long-term loan agreement (the "CDB Loan Agreement") with China Development Bank ("CDB") for the grant by CDB of a loan of RMB130,000,000 (the "CDB Loan") to the Company to finance the Company's project on subunit vaccine of influenza virus (the "Loan Project"). Pursuant to the CDB Loan Agreement, CDB requires the Company, the Company's controlling shareholder Neptunus Bio-engineering, and Mr. Chai Xiang Dong, management shareholder of the Company, to provide guarantee and securities (including but not limited to the pledge of the domestic shares of the Company then held by them to CDB) to secure the CDB Loan. In April 2011, the Company repaid all the principal and interests under the CDB Loan Agreement to CDB, and subsequently all guarantee and securities under the CDB Loan Agreement were released.

As at 31 December 2011, the Group's short-term bank borrowings were RMB 76,000,000, all of which were short-term bank borrowings of Neptunus Fuyao.

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

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

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

SHAREHOLDER'S INTEREST-BEARING FINANCIAL ASSISTANCE

As at 31 December 2011, the Company has repaid all interest-bearing financial assistance from Neptunus Bio-engineering, with outstanding accrued interest thereof amounting to approximately RMB5,103,000.

SHAREHOLDER’S ENTRUSTED LOANS

The Company obtained a shareholder’s entrusted loan of RMB9,000,000 from Neptunus Bio-engineering through an entrusted arrangement with a bank. This shareholder’s entrusted loan is unsecured, bears an annual interest of 5% and is repayable on 5 April 2009. Neptunus Bio-engineering undertook that the repayment date of this entrusted loan be postponed to 5 April 2011. However, Neptunus Bio-engineering had undertaken to the Company that it would not demand repayment of the above-mentioned shareholder’s entrusted loan unless and until: (1) the repayment of such shareholder’s entrusted loan would not adversely affect the operations of the Company and/or its business objectives as set out in the prospectus published by the Company on 29 August 2005 (the “Prospectus”); and (2) each of the independent non-executive Directors was of the opinion that the repayment of such shareholder’s entrusted loan would not adversely affect the operations of the Company and/or the implementation of its business objectives as set out in the Prospectus, and the Company would make an announcement in respect of the decision of the independent non-executive Directors made under (2); and (3) the Company had a positive cash flow and had retained profits in the relevant financial year.

The Company obtained another shareholder’s entrusted loan of RMB39,000,000 from Neptunus Bio-engineering through an entrusted arrangement with a bank. This shareholder’s entrusted loan is unsecured, bears an annual interest of 5% and is repayable on 5 April 2009. However, Neptunus Bio-engineering undertook that the repayment date of this entrusted loan be postponed to 5 April 2011. The Company repaid such shareholder’s entrusted loan to Neptunus Bio-engineering in November 2011.

NET CURRENT ASSETS

As at 31 December 2011, the Group had net current assets of approximately RMB185,448,000. Current assets comprised cash and cash equivalents of approximately RMB226,675,000, bank guarantee deposits of approximately RMB10,168,000, amounts due from related parties of approximately RMB9,365,000, inventories of approximately RMB94,334,000, trade and bills receivable, prepayments, deposits and other receivables of approximately RMB68,208,000. Current liabilities comprised trade and bills payables of approximately RMB72,373,000, taxes payable of approximately RMB6,076,000, short-term interest-bearing bank borrowings of approximately RMB76,000,000, receipts in advance and other payables of approximately RMB40,553,000, amounts due to related parties of approximately RMB19,300,000. The net current assets of the Group were approximately RMB15,645,000 as at 31 December 2010. The significant increase in the net current assets of the Group in the Year was mainly due to the fact that the Company completed the Disposal in the Year and obtained the consideration thereof of approximately USD39,000,000.

PLEDGE OF ASSETS

Pursuant to the loan agreements entered into between the Company’s subsidiary Neptunus Fuyao and ABC on 29 July 2011 and 8 August 2011 respectively, Neptunus Fuyao pledged part of its lawfully owned land use rights and buildings to ABC.

FOREIGN CURRENCY RISK

During the Year, the Group's operating revenue, major selling costs and capital expenditure were denominated in Renminbi. Proceeds from the issue of 189,330,000 new H shares were not fully translated into RMB in accordance with national foreign exchange regulations, of which approximately HK$31,559,000 was not translated in RMB as at 31 December 2011 and, as the consideration of the Disposal was denominated in US dollars, approximately USD17,665,000 was not translated in RMB as at 31 December 2011. As such, the exchange rate fluctuation of Hong Kong dollars against RMB and US dollars against RMB may adversely affect the Group's profit for the Year. In the event of significant fluctuation in the exchange rate of Hong Kong dollars against RMB and US dollars against RMB in 2012, it will produce certain effect on the Group's profit. Currently, the Group has not adopted any financial instrument for hedging purposes.

SEGMENT INFORMATION

Segment revenue and segment results by business and region of the Group for the Year are set out in note 9.

CAPITAL COMMITMENTS

As at 31 December 2011, the Group has contracted commitments for future capital expenditure of approximately RMB78,237,000. The Board believes that such capital expenditure can be financed by the Group's bank deposits and bank borrowings.

CONTINGENT LIABILITY

As at 31 December 2011, neither the Group nor the Company had any significant contingent liability.

MAJOR INVESTMENT PLANS

During the Year, other than developing the businesses disclosed in the Prospectus, the aforesaid proposed new production base of Neptunus Fuyao at Lianjiang County, Fuzhou City and Taizhou Production Base of Jiangsu Neptunus, the Company did not make any other major investments.

HUMAN RESOURCES

As at 31 December 2011, the Group employed a total of 1,183 staff (2010: 1,192). During the Year, the staff costs including directors' remuneration which amounted to approximately RMB48,027,000 (2010: approximately RMB9,385,000). The salaries and fringe benefits of the Group's employees remained at competitive. The employees' incentives were reviewed and determined annually pursuant to the remuneration and bonus policies of the Group based on the performance of the employees. The Group also provided various other benefits to its employees.

As at 31 December 2011, the number of employees of the Group categorized by various functions was set out as follows:

	As at 31 December	
	2011	2010
The Company		
R&D	**22**	23
Administration	**12**	11
Neptunus Fuyao and its subsidiaries		
Production & Manufacture	**963**	984
Sales & Marketing	**74**	76
Administration	**94**	86
R&D	**9**	10
Jiangsu Neptunus		
Engineering Project Team	**9**	2
Total	**1,183**	1,192

Compared with 31 December 2010, the number of employees of the Group remains at the same level in this Year.

The Group monitored closely the remuneration and fringe benefits of the employees and rewarded employees in accordance with the Group's business performance. In addition, training and development opportunities for the employees were also provided by the Group.

REPORT OF THE DIRECTORS

PRINCIPAL ACTIVITIES

The Company is a high and new technology enterprise incorporated in the PRC. During the Year, the Group was principally engaged in the sale of a variety of pharmaceuticals, such as herbal medicine, generic drugs, transfusion and anti-tumor drugs, and the R&D Business in the PRC.

DIVIDENDS

The Directors do not recommend the distribution of any dividends for the Year (2010: Nil).

DISTRIBUTABLE RESERVES

At 31 December 2011, the Company had no distributable reserves, while its accumulated loss, calculated in accordance with the Company's Articles of Association and relevant rules and regulations, amounted to approximately RMB127,634,000.

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

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

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the Year, the Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the "required standard of dealings" as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all the Directors, all the Directors have confirmed that they have not conducted any transaction in respect of the Company's securities during the Year. The Company is not aware of any violation by the Directors on the "required standard of dealings" and the Company's internal code of conduct regarding securities transactions by the Directors.

COMPETING INTERESTS

On 21 August 2005, Neptunus Bio-engineering entered into an agreement with the Company containing undertakings relating to non-competition and preferential rights of investments (the "Non-Competition Undertakings"), pursuant to which Neptunus Bio-engineering had undertaken to the Company and its associates (among others), that as long as the securities of the Company are listed on GEM:

(i) it will not, and will procure its associates not to, whether within or outside the PRC, directly or indirectly (other than those indirectly held as a result of the equity interest in any listed company or its subsidiaries), participate in or operate any business in whatever form, or manufacture any products (the usage of which is the same as or similar to that of the products of the Company) which may constitute direct or indirect competition to the business operated by the Company from time to time; and

(ii) it will not, and will procure its associates not to, hold any interest, whether within or outside the PRC, in any company or organization (directly or indirectly, other than those indirectly held as a result of its equity interest in any listed company or its subsidiaries) when the business of such company or entity will (or may) compete directly or indirectly with the business of the Company.

Pursuant to the Non-Competition Undertakings, at a time when the Non-Competition Undertakings are subsisting, whenever Neptunus Bio-engineering or any its associates enters into any negotiations, within or outside the PRC, in relation to any new investment projects which may compete with the existing and future business of the Company, the Company will also be entitled to the preferential rights to participate in the investments in such new investment projects.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

CORPORATE GOVERNANCE PRACTICES

The Code on Corporate Governance Practices was effective for accounting periods commencing on or after 1 January 2005. The Company put strong emphasis on the superiority, steadiness and rationality of corporate governance. The Board is of the view that the Company has complied with the requirements set out in Appendix 15 "The Code on Corporate Governance Practices" and Appendix 16 "Corporate Governance Report" of the GEM Listing Rules throughout the accounting period covered by the annual report.

REVIEW OF FINANCIAL INFORMATION

The audit committee of the Company has reviewed the Group's annual results for the Year.

The figures in respect of the preliminary announcement of the Group's results for the Year have been agreed by the Group's auditor, Crowe Horwath (HK) CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the Year. The work performed by Crowe Horwath (HK) CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Crowe Horwath (HK) CPA Limited on the preliminary announcement.

AUDITOR

Crowe Horwath (HK) CPA Limited, Certified Public Accountants, was appointed as the Company's auditor in 2011. The financial statements has been audited by Crowe Horwath (HK) CPA Limited, who will retire at the conclusion of the forthcoming annual general meeting of the Company and being eligible, offer themselves for re-appointment. A resolution for the re-appointment of Crowe Horwath (HK) CPA Limited as auditor of the Company is to be proposed at the forthcoming annual general meeting.

On behalf of the Board
Zhang Feng
Chairman

Shenzhen, the PRC, 16 March 2012

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

This announcement will remain on the "Latest Company Announcements" page of the GEM website at www.hkgem.com for at least 7 days from its date of publication and on the Company's website at www.interlong.com.

* *For identification purpose only*