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 2012

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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 2012 (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") (collectively the "Group") conducted the gradual expansion of the current business of Neptunus Fuyao, meanwhile, carried out the establishment of production base for biological products of Jiangsu Neptunus, location selecting and preliminary design of the second production base of Neptunus Fuyao, the developments in various directions of biological product R&D business of the Company and the Company gradually engaged into the purchase and sales of pharmaceuticals, healthcare foods and foods businesses. 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., meanwhile the 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, was completed. Phase II clinical work has also been commenced in January 2013. The Company, cooperated with a number of research institutions in research and development, has proceeded R&D project of new products, including exploration and research of biological products and bio-agriculture, in order to explore a new direction for the development of the Group.

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. Along with the development and improvement of China's medical insurance system, China's generic drugs market is currently growing rapidly in the Year. Neptunus Fuyao is committed to expanding the sales income. It has kept its stable growth in turnover and profitability and provided an important sources for the Group's operating income and profitability. With the saturating production capacity, Neptunus Fuyao planned for establishment of the second production base. The Company, through its two PRC subsidiaries, has successfully bidden for two pieces of lands at Lianjiang County, Fujian Province on public auction. The relevant approvals and procedures of entry into the Land Use Rights Transfer Contracts is being in progress. The management of the Group has been working and communicating closely with the local government authorities, and prompts the relevant approval and procedures to be completed as soon as possible. The establishment of the second production base 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 healthcare products including modernized herbal medicine, bio-pharmaceuticals and basic drugs for Neptunus Fuyao, and lay a solid foundation for the Group's future expansion and development. Neptunus Fuyao also planned to commence the upgrading and enhancement of part of its production lines to meet the requirements of the Good Manufacturing Practice for the Pharmaceutical Products (2010 Revision) (the "New GMP"). After the preliminary work of the upgrading and enhancement project being carried out in the Year, it has been commenced in January 2013. The enhancement of the production lines would safeguard Neptunus Fuyao to meet the regulatory requirements of producing qualified products in the future.

Jiangsu Neptunus, a wholly-owned subsidiary of the Company, was established with the aim of undertaking the research and development and the industrialization of recombinant proteins and polypeptide drugs (including but not limited to recombinant human thymosin α1 for injection). During the Year, the registered capital of Jiangsu Neptunus was increased to RMB55,000,000. The renovation of office area of the production base of Jiangsu Neptunus for recombinant protein and polypeptide drugs in Taizhou was completed; and the purifying renovation of production area was also finished. The equipment debugging and verification work is currently undergoing. The construction is properly implemented according to project plan and the progress is smooth. Phase I clinical research on recombinant human thymosin α1 for injection has also been completed and the result showed that the drug has good resistance. Phase II clinical research also commenced in January 2013. It is expected that Jiangsu Neptunus' 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, In addition to the provision of R&D services to related companies, the Company entered into a technical cooperation agreement with research institutions such as Jilin University and Harbin Institute of Technology, to carry out R&D projects for new products. It is expected that the first R&D product will be launched to market in 2013, which provides a new source for the growth of the business of the Company.

The Group also entered into the purchase and sales agreement with various suppliers for the development of pharmaceuticals, healthcare foods and foods businesses. In addition, the Group also purchased ventures with operation certificates of purchasing and selling pharmaceuticals and healthcare foods, which facilitated the steady development of this business of the Group.

The board of Directors of the Company (the "Board") believes that 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 2012 together with the comparative figures for the previous year as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2012

	Note	**2012** **RMB'000**	2011 RMB'000
CONTINUING OPERATIONS			
TURNOVER	3, 9	**530,458**	474,652
COST OF SALES		**(334,960)**	(309,811)
GROSS PROFIT		**195,498**	164,841
OTHER REVENUE	4	**11,371**	9,965
OTHER NET INCOME	4	**625**	1,823
Selling and distribution expenses		**(75,743)**	(63,772)
Administrative expenses		**(48,253)**	(48,272)
Other operating expenses		**(36,305)**	(20,772)
PROFIT FROM OPERATIONS		**47,193**	43,813
Finance costs	5(a)	**(6,590)**	(13,876)
PROFIT BEFORE TAXATION	5	**40,603**	29,937
Income tax	6(a)	**(4,525)**	(13,045)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**36,078**	16,892
DISCONTINUED OPERATIONS			
Profit from discontinued operations	10	**–**	12,561
PROFIT FOR THE YEAR		**36,078**	29,453
Attributable to:			
Owners of the Company		**24,298**	21,686
Non-controlling interests		**11,780**	7,767
		36,078	29,453
Profit attributable to owners of the Company arises from:			
Continuing operations		**24,298**	9,125
Discontinued operations		**–**	12,561
		24,298	21,686
Earnings per share			
From continuing and discontinued operations			
Basic and diluted	8	**1.45 cents**	1.29 cents
From continuing operations			
Basic and diluted	8	**1.45 cents**	0.54 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	2012	2011
	RMB'000	*RMB'000*
Profit for the year	**36,078**	29,453
Other comprehensive income for the year		
Reclassification adjustment for exchange difference relating to disposal of a jointly controlled entity	–	4,155
Total other comprehensive income for the year, net of tax	–	4,155
Total comprehensive income for the year	**36,078**	33,608
Attributable to:		
Owners of the Company	**24,298**	25,841
Non-controlling interests	**11,780**	7,767
Total comprehensive income for the year	**36,078**	33,608

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2012

	Note	2012 RMB'000	2011 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**164,635**	131,045
Prepaid lease payments		**68,729**	70,299
Intangible assets		**130,770**	135,376
Deposit for acquisition of property, plant and equipment		**2,614**	5,369
Deposit for acquisition of land		**17,330**	8,630
Available-for-sale investments		**300**	300
Deferred tax assets		**1,308**	1,548
		385,686	352,567
CURRENT ASSETS			
Inventories		**134,365**	94,334
Trade and other receivables	*11*	**81,931**	77,573
Tax recoverable		**1,328**	–
Pledged bank deposit		**19,060**	10,168
Cash and cash equivalents		**248,366**	226,675
		485,050	408,750
CURRENT LIABILITIES			
Trade and other payables	*12*	**211,689**	132,226
Interest-bearing bank borrowings		**86,000**	76,000
Entrusted loans from the immediate parent company		**9,000**	9,000
Current taxation		**5,543**	6,076
		(312,232)	(223,302)
NET CURRENT ASSETS		**172,818**	185,448
TOTAL ASSETS LESS CURRENT LIABILITIES		**558,504**	538,015

	2012	2011
	RMB'000	*RMB'000*
NON-CURRENT LIABILITIES		
Deferred revenue	**3,937**	11,443
Deferred tax liabilities	**36,213**	40,296
	(40,150)	(51,739)
NET ASSETS	**518,354**	486,276
EQUITY		
Equity attributable to owners of the Company		
Share capital	**167,800**	167,800
Reserves	**273,171**	248,873
	440,971	416,673
NON-CONTROLLING INTERESTS	**77,383**	69,603
TOTAL EQUITY	**518,354**	486,276

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

As at 31 December 2012

	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*	Sub-total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 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
At 1 January 2012	**167,800**	**554,844**	**12,276**	**–**	**(194,339)**	**(123,908)**	**416,673**	**69,603**	**486,276**
Change in equity for 2012									
Profit for the year	**–**	**–**	**–**	**–**	**–**	**24,298**	**24,298**	**11,780**	**36,078**
Total comprehensive income for the year, net of tax	**–**	**–**	**–**	**–**	**–**	**24,298**	**24,298**	**11,780**	**36,078**
Dividend paid from subsidiary to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(4,000)**	**(4,000)**
Transfer to other reserves	**–**	**–**	**5,633**	**–**	**–**	**(5,633)**	**–**	**–**	**–**
At 31 December 2012	**167,800**	**554,844**	**17,909**	**–**	**(194,339)**	**(105,243)**	**440,971**	**77,383**	**518,354**

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 " GEM Listing Rules").

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those set out in the Group's 2011 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 2012. 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"), and it is also the functional currency of the Company and the Group's presentation currency. 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 HKFRS 7	Financial instruments: Disclosures – Transfers of financial assets; and
Amendments to HKAS 12	Deferred Tax: Recovery of Underlying Assets

The application of the amendments to HKFRSs in the current year has had no material effect on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these financial statements.

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 of medicines and commission income derived from the distribution of food products and healthcare food products 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, net invoiced value of R&D services provided net of sales tax and commission income.

	2012	2011
	RMB'000	*RMB'000*
Continuing operations		
Sales of medicines	**529,795**	472,652
R & D service income	**–**	2,000
Commission income	**663**	–
	530,458	474,652

4. Other Revenue and Other Net Income

	Continuing operations		Discontinued operation		Consolidated	
	2012	2011	**2012**	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Other revenue						
Interest income from bank deposits	**1,508**	1,133	**–**	8	**1,508**	1,141
Total interest income on financial assets not at fair value through profit or loss	**1,508**	1,133	**–**	8	**1,508**	1,141
Subsidy income released from deferred revenue	**8,911**	8,121	**–**	–	**8,911**	8,121
Others	**952**	711	**–**	–	**952**	711
	11,371	9,965	**–**	8	**11,371**	9,973
Other net income						
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
Recovery of impairment on trade receivables	**282**	–	**–**	–	**282**	–
Recovery of impairment on other receivables	**148**	572	**–**	–	**148**	572
Write off of other payables	**195**	–	**–**	–	**195**	–
	625	1,823	**–**	21,030	**625**	22,853

5. Profit before Taxation

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

	Continuing operations		Discontinued operation		Consolidated	
	2012	2011	**2012**	2011	**2012**	2011
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
a) Finance costs						
Interest on bank loans wholly repayable within five years	**4,760**	7,532	**–**	208	**4,760**	7,740
Interest on financial assistance from the immediate parent company	**590**	4,586	**–**	–	**590**	4,586
Interest on financial assistance from a fellow subsidiary	**430**	–	**–**	–	**430**	–
Interest on entrusted loans from the immediate parent company	**810**	1,758	**–**	–	**810**	1,758
Total interest expense on financial liabilities not at fair value through profit or loss	**6,590**	13,876	**–**	208	**6,590**	14,084
b) Staff costs (including directors' remuneration)						
Contributions to defined contribution retirement plan	**11,482**	9,586	**–**	251	**11,482**	9,837
Salaries, wages and other benefits	**50,731**	38,441	**–**	2,405	**50,731**	40,846
	62,213	48,027	**–**	2,656	**62,213**	50,683
c) Other items						
Amortisation						
– prepaid lease payments	**1,570**	1,570	**–**	246	**1,570**	1,816
– intangible assets *	**3,957**	3,968	**–**	–	**3,957**	3,968
Depreciation						
– assets held for own use under operating leases	**2,990**	3,032	**–**	1,750	**2,990**	4,782
– other assets	**13,431**	13,023	**–**	764	**13,431**	13,787
Impairment of						
– trade receivables *	**504**	–	**–**	–	**504**	–
– other receivables *	**65**	33	**–**	–	**65**	33
Write down of inventories *	**359**	435	**–**	–	**359**	435
Net foreign exchange loss	**263**	4,039	**–**	89	**263**	4,128
Loss on disposal of property, plant and equipment *	**412**	631	**–**	–	**412**	631
Loss on disposal of intangible assets	**649**	–	**–**	–	**649**	–
Auditor's remuneration						
– audit services	**1,200**	1,300	**–**	–	**1,200**	1,300
– other services	**551**	410	**–**	–	**551**	410
Operating lease charges: minimum lease payment	**4,989**	526	**–**	–	**4,989**	526
Cost of inventories	**331,854**	305,034	**–**	–	**331,854**	305,034
R&D costs *	**30,878**	13,275	**–**	–	**30,878**	13,275

* These amounts 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:

	2012	2011
	RMB'000	*RMB'000*
Current tax		
PRC Enterprise Income Tax	**9,801**	12,695
Over provision for PRC Enterprise income tax	**(1,433)**	–
Deferred tax		
Origination and reversal of temporary differences	**(3,241)**	350
Attributable to a change in tax rate	**(602)**	–
	4,525	13,045

Hong Kong Profits Tax has not been provided for as the Group has no income assessable to Hong Kong Profits Tax (2011: Nil).

Currently, a subsidiary established in the PRC is recognised by the Fujian Province Bureau of Science and Technology as a high technology enterprise. In accordance with the applicable enterprise income tax of the PRC, the subsidiary is subject to the PRC enterprise income tax ("EIT") at a preferential rate of 15%.

The other PRC subsidiaries are subject to the PRC EIT at a rate of 25% for the year ended 31 December 2012 (2011: 25%).

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

	2012	2011
	RMB'000	*RMB'000*
Profit before taxation		
– Continuing operation	**40,603**	29,937
– Discontinued operation	**–**	12,561
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	**5,061**	10,628
Tax effect of non-deductible expenses	**404**	1,389
Tax effect of non-taxable income	**(2,481)**	(5,258)
Tax effect of unused tax losses not recognised	**3,576**	6,286
Over provision in prior year	**(1,433)**	–
Decrease in opening deferred tax liability resulting from a change in tax rate	**(602)**	–
Actual tax expenses	**4,525**	13,045

7. Dividends

The directors do not propose the payment of any dividend for the year ended 31 December 2012 (2011: nil).

8. Earnings Per Share

a) For continuing and discontinued operation

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of approximately RMB24,298,000 (2011: approximately RMB21,686,000) and the weighted average number of 1,678,000,000 ordinary shares (2011: 1,678,000,000 ordinary shares) issued during the year.

b) For continuing operation

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of approximately RMB24,298,000 (2011: approximately RMB9,125,000) and the denominators used are same as those detailed above for basic earnings per share from continuing and discontinued operations.

c) For discontinued operations

Basic earnings per share for the discontinued operations for the year ended 31 December 2011 is RMB0.75 cents per share which is based on the profit from the discontinued operations of approximately RMB12,561,000 and the denominators used are same as those detailed above for basic earnings per share from continuing and discontinued operations.

d) Diluted earnings per share

Diluted earnings per share equals to basic earnings 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 directors 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 are carried out in the PRC. No reportable operating segment has been aggregated.

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

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

The others segment derives its 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 monitor 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, tax recoverable 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 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 auditor's 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. 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 2012 and 2011 is set out below.

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

For the year ended 31 December	Continuing operations: Manufacturing and selling of medicine products 2012 RMB'000	2011 RMB'000	R & D service 2012 RMB'000	2011 RMB'000	Others 2012 RMB'000	2011 RMB'000	Total 2012 RMB'000	2011 RMB'000
Segment revenue								
Revenue from external customers	**529,795**	472,652	**–**	2,000	**663**	–	**530,458**	474,652
Inter-segment revenue	**–**	–	**–**	–	**–**	–	**–**	–
Reportable segment revenue	**529,795**	472,652	**–**	2,000	**663**	–	**530,458**	474,652
Reportable segment profit/(loss) before taxation	**74,619**	67,546	**(15,201)**	(10,618)	**662**	–	**60,080**	56,928
Interest income from bank deposits	**1,308**	922	**200**	211	**–**	–	**1,508**	1,133
Interest expenses	**5,190**	6,136	**1,400**	7,740	**–**	–	**6,590**	13,876
Depreciation and amortisation								
– Property, plant and equipment	**13,172**	12,922	**3,249**	3,133	**–**	–	**16,421**	16,055
– Prepaid lease payment	**1,570**	1,570	**–**	–	**–**	–	**1,570**	1,570
– Intangible assets	**3,950**	3,950	**7**	18	**–**	–	**3,957**	3,968
Written down of inventories	**359**	435	**–**	–	**–**	–	**359**	435
Impairment of								
– trade receivables	**504**	–	**–**	–	**–**	–	**504**	–
– other receivables	**55**	23	**10**	10	**–**	–	**65**	33
Recovery of impairment on								
– trade receivables	**(282)**	–	**–**	–	**–**	–	**(282)**	–
– other receivables	**(148)**	(149)	**–**	(423)	**–**	–	**(148)**	(572)
Recovery of impairment on trade receivables before acquisition	**–**	(1,251)	**–**	–	**–**	–	**–**	(1,251)
Income tax expense	**4,525**	13,288	**–**	(243)	**–**	–	**4,525**	13,045
Reportable segment assets	**714,089**	584,667	**153,772**	174,850	**–**	–	**867,861**	759,517
Additions to non-current assets (other than financial instruments and deferred tax assets)	**16,759**	12,341	**43,635**	1,590	**–**	–	**60,394**	57,740
Reportable segment liabilities	**261,481**	196,594	**49,206**	32,123	**–**	–	**310,687**	228,717

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**

	2012	2011
	RMB'000	*RMB'000*
Continuing operations		
Revenue		
Reportable segment revenue	**530,458**	474,652
Elimination of inter-segment revenue	**–**	–
Consolidated turnover	**530,458**	474,652
Profit		
Reportable segment profit	**60,080**	56,928
Elimination of inter-segment profit	**–**	–
Reportable segment profit derived from the Group's external customers	**60,080**	56,928
Other revenue and other net income	**11,996**	11,788
Depreciation and amortisation	**(21,948)**	(21,593)
Finance costs	**(6,590)**	(13,876)
Unallocated head office and corporate expense	**(2,935)**	(3,310)
Consolidated profit from continuing operations before taxation	**40,603**	29,937
Assets		
Reportable segment assets	**867,861**	759,517
Elimination of inter-segment receivables	**(61)**	(48)
	867,800	759,469
Unallocated head office and corporate assets	**300**	300
Deferred tax assets	**1,308**	1,548
Tax recoverable	**1,328**	–
Consolidated total assets	**870,736**	761,317
Liabilities		
Reportable segment liabilities	**310,687**	228,717
Elimination of inter-segment payables	**(61)**	(48)
	310,626	228,669
Tax payable	**5,543**	6,076
Deferred tax liabilities	**36,213**	40,296
Consolidated total liabilities	**352,382**	275,041

c) **Revenue from major products and services**

The following is an analysis of the Group's revenue from continuing operations from its major products and services:

	2012	2011
	RMB'000	*RMB'000*
Medicines	**529,795**	472,652
R & D service	**–**	2,000
Commission	**663**	–
	530,458	474,652

d) **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. 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 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 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 operations included in the consolidated income statement, consolidated statement of comprehensive income and consolidated statement of cash flows are set out below.

	2012	2011
	RMB'000	*RMB'000*
Turnover		
Cost of sales	**–**	–
Gross profit	**–**	–
Other revenue	**–**	8
Other net income	**–**	21,030
Selling and distribution expenses	**–**	–
Administrative expenses	**–**	(8,188)
Other operating expenses	**–**	(81)
Profit from operations	**–**	12,769
Finance costs	**–**	(208)
Profit before taxation	**–**	12,561
Income tax	**–**	–
Profit for the year from discontinued operation	**–**	12,561
Attributable to:		
Owners of the Company	**–**	12,561

Cash flows from discontinued operations:

	2012	2011
	RMB'000	*RMB'000*
Net cash used in operating activities	–	(30,605)
Net cash used in investing activities	–	(25,748)
Net cash generated from financing activities	–	40,000
Net cash outflows	–	(16,353)

11. Trade and Other Receivables

	Note	**2012** ***RMB'000***	2011 *RMB'000*
Trade and bill receivables		**55,742**	61,780
Less: allowance for doubtful debts		**(1,204)**	(982)
		54,538	60,798
Amounts due from fellow subsidiaries	*(i)*	**2,879**	4,097
Amounts due from related companies	*(i)*	**1,130**	3,107
Amount due from immediate parent company	*(i)*	**22**	2,161
Other receivables		**10,678**	2,922
Loans and receivables		**69,247**	73,085
Prepayments and deposits		**12,684**	4,488
		81,931	77,573

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

The following is an analysis of trade receivables by age, presented based on the invoice date:

	2012 ***RMB'000***	2011 *RMB'000*
Within 3 months	**48,318**	42,065
More than 3 months but less than 12 months	**6,177**	18,449
Over 12 months	**43**	284
	54,538	60,798

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	**2012**	2011
		RMB'000	*RMB'000*
At 1 January		**982**	982
Impairment loss recognised	*(i)*	**504**	–
Recovery of impairment loss	*(ii)*	**(282)**	–
At 31 December		**1,204**	982

Notes:

i) As at 31 December 2012, trade receivables of the Group amounting to RMB504,000 (2011: nil) 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) RMB282,000 (2011: nil) of the trade receivables previously impaired was recovered during the year. Therefore, the impairment loss was reversed.

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:

	2012	2011
	RMB'000	*RMB'000*
Neither past due nor impaired	**49,520**	51,858
Past due but not impaired		
Less than 3 months past due	**4,160**	6,652
Over 3 months past due	**858**	2,288
	54,538	60,798

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	**2012** *RMB'000*	2011 *RMB'000*
Trade payables		**113,723**	72,373
Receipts in advances		**6,434**	5,497
Other payables and accruals		**39,002**	35,056
Amount due to fellow subsidiaries	*(i)*	**13,298**	867
Amount due to the immediate parent company	*(ii)*	**39,232**	18,433
Financial liabilities measured at amortised cost		**211,689**	132,226

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:

	2012 *RMB'000*	2011 *RMB'000*
Within 3 months	**65,372**	50,830
4 to 6 months	**38,721**	10,923
7 to 12 months	**7,286**	7,577
Over 1 year	**2,344**	3,043
	113,723	72,373

Note:

i) Included in amount due to fellow subsidiaries, there was interest-bearing financial assistance from a fellow subsidiary of RMB10,000,000 (2011: Nil), which is unsecured, bearing interest at 6% and repayable within one year. The remaining balances are unsecured, interest-free and repayable within one year.

ii) Included in amount due to the immediate parent company, there was interest-bearing financial assistance from the immediate parent company of RMB23,000,000 (2011: Nil), which is unsecured, bearing interest at 6% and repayable within one year. The remaining balances are unsecured, interest-free and repayable within one year.

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 pharmaceuticals (the "R&D Business"). Among which, businesses such as herbal medicine, generic drugs, transfusion and anti-tumor drugs were operated through Neptunus Fuyao and its subsidiaries while the industrialization of biological technology products was operated by our subsidiary, Jiangsu Neptunus. Meanwhile, the Company dedicated itself to the R&D Business of biological pharmaceuticals and expanded the scale of the research and development of chemosynthetic anti-tumor drugs. The Company also gradually engaged in the sales of healthcare foods and foods business and the application of bio-technology in the fields of bio-agriculture. Through acquisition of wholesale enterprises such as drug, healthcare foods and foods, the Company expanded its businesses in such sectors.

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. Along with the development and improvement of China's medical insurance system, generic drugs market is growing rapidly. During the Year, Neptunus Fuyao operated normally and recorded an income from principal business totaling approximately RMB529,795,000 while continuing on a steady growth trend.

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 considered the upgrading and enhancement of a part of the existing production equipments to meet the requirements of the New GMP. Upgrading and enhancement as well as validation work commenced in January 2013, certain production lines which involve upgrading and enhancement have taken turns to suspend production for a short period according to the plan. It is expected that part of the production lines which take turns to suspend production will obtain GMP certificate before the end of 2013, and all the production lines which have been suspended will be resumed when the validation is completed. The short period of production suspension will affect normal production and supply of certain products of Neptunus Fuyao in 2013. In order to reduce or eliminate the effect to operating income and profit, Neptunus Fuyao is currently implementing the following measures: (1) expanding the production volume before suspending production and preparing the stocks in advance, especially the stock of bid-winning categories and high gross profit margin products; (2) formulating detailed plans for sales, ensuring sufficient medicine supply to key markets and key clients and minimizing the occurrence of shortage of medicine in the market; and (3) enhancing the marketing efforts in products manufactured by the non-upgrading production lines in 2013 so as to improve the sales income of medicine of this part.

As the existing production capacities for production lines of certain formulations of Neptunus Fuyao and its subsidiaries are almost fully utilised, the Group prepares to construct the second production base in Lianjiang County, Fuzhou City. In earlier this Year, the Company intended to grant RMB40,000,000 as a loan or an interest-bearing financial assistance to Neptunus Fuyao for its construction of the second production base. In addition, the Company's holding company, Shenzhen Neptunus Bio-engineering Co., Ltd. ("Neptunus Bio-engineering") also intended to grant approximately RMB80,000,000 to Neptunus Fuyao or indirectly through the Company to Neptunus Fuyao in the form of loan or interest-bearing financial assistance for its construction of the second production base. As at 31 December 2012, Neptunus Bio-engineering provided interest-bearing financial assistance of RMB23,000,000 and RMB10,000,000 to Neptunus Fuyao indirectly through the Company and Shandong Neptunus Yinhe Pharmaceutical Company Limited ("Shandong Neptunus Yinhe") for the bidding of the industrial land of the second production base.

As the preliminary preparation work for the construction of the second production base, the Group established three subsidiaries at Lianjiang County, Fuzhou City. The first subsidiary is Neptunus Fuyao Pharmaceutical (Lianjiang) Co., Ltd. ("Neptunus Fuyao Lianjiang") 海王福藥製藥(連江)有限公司, which is preparing the production of chemical medicine with a registered capital of RMB50,000,000, among which RMB47,500,000 and RMB2,500,000 was contributed by Neptunus Fuyao and Neptunus Fuyao's subsidiary Fuzhou Neptunus Jinxiang Chinese Pharmaceutical Company Limited ("Neptunus Jinxiang") 福州海王金象中藥製藥有限公司 in cash as at 31 December 2012, which hold 95% and 5% interests in Neptunus Fuyao Lianjiang, respectively. The second subsidiary is Neptunus Jinxiang Chinese Pharmaceutical (Lianjiang) Co., Ltd. ("Neptunus Jinxiang Lianjiang") 海王金象中藥製藥(連江)有限公司, which is preparing the production of Chinese patent medicine with a registered capital of RMB50,000,000, among which RMB1,550,000 and RMB29,450,000 was contributed by Neptunus Fuyao and Neptunus Jinxiang in cash as at 31 December 2012, which hold 5% and 95% interests in Neptunus Jinxiang Lianjiang, respectively. The third subsidiary is Lianjing Neptunus Fuyao Foods Trading Co., Ltd. ("Lianjing Neptunus Foods") 連江縣海王福藥食品貿易有限公司. Its business scope is wholesale and retail of prepackaged foods (批發兼零售預包裝食品) with a registered capital of RMB500,000, among which RMB475,000 and RMB25,000 was contributed by Neptunus Fuyao and Neptunus Jinxiang in cash as at 31 December 2012, which hold 95% and 5% interests in Lianjing Neptunus Foods, respectively.

On 15 August 2011, the Board 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 were contributed by Neptunus Fuyao and Neptunus Jinxiang respectively, to fund the construction of the second production base at Lianjiang County, Fuzhou City. At present, the registered capital of both Neptunus Fuyao Lianjiang and Neptunus Jinxiang Lianjiang remained to be RMB50,000,000 and RMB50,000,000 respectively. The latter part of the capital increase plan will be arranged according to the progress of the second 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 second production base in Lianjiang will commence on the two pieces of land. After the Group has been granted the approval of industrial project and completed relevant procedures for environmental assessment and construction planning, the Bureau of Land Resources of Lianjiang will enter into a Land Use Rights Transfer Contract with Neptunus Fuyao Lianjiang and Neptunus Jinxiang Lianjiang respectively. As the progress of demolition by the local government is slower than expected, the Land Use Rights Transfer Contracts have not been signed. The Company and Neptunus Fuyao are communicating with the local government department proactively in order to facilitate the local government department for completion of demolition and relocation of such piece of land. According to a letter from local government authority in December 2012, the relevant approval and procedures before entering into Land Use Rights Transfer Contracts will be completed in the first quarter in 2013. By that time, the signing of the relevant Land Use Rights Transfer Contracts could be arranged.

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

RECOMBINANT PROTEINS AND POLYPEPTIDE DRUGS BUSINESS

The business scope of Jiangsu Neptunus, a wholly-owned subsidiary of the Company, includes R&D of bio-medical products and sale of class 1 medical equipment. Business scope of manufacture of medicine will be added one by one after the manufacture condition of relevant medicines is reached. Jiangsu Neptunus is conducting the research and development on recombinant proteins and polypeptide drugs (including but not limited to recombinant human thymosin $\alpha 1$ for injection). In October 2011, Jiangsu 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 owned by Neptunus Pharmaceutical. Jiangsu Neptunus plans to acquire the intangible assets, "approval for recombinant human thymosin $\alpha 1$ clinical research" at fair price in the first half of 2013. Since clinical trial has proceeded smoothly, the Board approved to contribute further RMB80,000,000 into Jiangsu Neptunus to increase its registered capital to RMB90,000,000. The contribution of RMB80,000,000 will be made in stages according to construction progress of Jiangsu Neptunus' production base and progress of foreign exchange translation and settlement of the Company. As at the date hereof, the renovation of the office area and the purifying renovation of the production area of Jiangsu Neptunus' production base were completed. At present, equipment debugging and verification work are in progress. The construction is properly implemented according to project plan and the progress is smooth.

On 5 December 2012, the registered capital of Jiangsu Neptunus was increased to RMB55,000,000 and its equity interest was wholly held by the Company. Jiangsu Neptunus obtained production permit on 1 December 2012 and it planned to add the manufacture of medicine into its business scope in the next capital injection.

Clinical trial on recombinant human thymosin $\alpha1$ for injection is undergoing according to the plan. Phase I clinical trial was completed in December 2012. The purpose of phase I clinical trial 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 $\alpha1$ for injection is well performed. Phase II clinical trial has begun in January 2013.

R&D BUSINESS

Since January 2009, the Company has been focusing on the R&D Business and the expansion of the R&D Business by providing R&D services to Neptunus Bio-engineering and its subsidiaries. Due to the Company's own development in R&D Business in the Year, no R&D service was provided to Neptunus Bio-engineering and its subsidiaries. The Company also endeavored to seek R&D projects for new products externally, thereby exploring a new direction for its future development.

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

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

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

FINANCIAL REVIEW

The Group's turnover for the Year was approximately RMB530,458,000, representing an increase of 11.8% from that of approximately RMB474,652,000 in the corresponding period last year. All turnover for the Year was mainly derived from sales income of pharmaceutical products of a subsidiary, Neptunus Fuyao. The increase in turnover was because that the sales income of Neptunus Fuyao increased by approximately 12.1% compared with the corresponding period last year.

The Group's gross profit and gross profit margin for the Year were approximately RMB195,498,000 and 37% respectively, increasing by approximately RMB30,657,000 and 2% respectively compared with that of the corresponding period last year. The increase in gross profit and gross profit margin was because that products with higher gross profit margin accounted for a higher proportion of the products sold by Neptunus Fuyao and there was an increase in operating income for the Year.

The Group's selling and distribution expenses for the Year amounted to approximately RMB75,743,000, representing an increase of RMB11,971,000 over RMB63,772,000 of the same period last year, which was mainly due to increase in sales income resulting in corresponding increase in relevant sales and distribution expenses.

The Group's administrative expenses for the Year amounted to approximately RMB48,253,000, representing a decrease of RMB8,207,000 as compared to approximately RMB56,460,000 in the corresponding period last year. The variation of administrative expenses was caused by: (i) disposal of GSK-Neptunus which significantly reduced depreciation cost; and (ii) the depreciation of RMB during the Year decreased significantly, exchange loss significantly reduced.

The Group's other operating expenses for the Year amounted to approximately RMB36,305,000, increasing by approximately RMB15,452,000 compared with that of the corresponding period last year. The increase was due to the Group's increasing input in research and development which significantly increased technological R&D expenses for the Year.

The Group's finance costs for the Year was approximately RMB6,590,000, representing a decrease of approximately RMB7,494,000 from approximately RMB14,084,000 in the corresponding period last year. The decrease was primarily due to the fact that the Company repaid all the long-term loan from China Development Bank and substantial entrusted loan and financial assistance from shareholders of Neptunus Bio-engineering, and therefore no longer had obligation to pay interests accrued thereon.

The Group's profit before income tax (excluding discontinued operations) for the Year increased to approximately RMB40,603,000 from approximately RMB29,937,000 for the corresponding period last year, which was mainly due to (i) increase in turnover and gross profit of Neptunus Fuyao during the Year; and (ii) repayment of substantial borrowings and therefore a significant decrease in finance costs.

As such, profit attributable to the owners of the Company amounted to approximately RMB24,298,000 for the Year, compared with that of approximately RMB21,686,000 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 2012, total bank borrowings of the Group was approximately RMB86,000,000, all of which were short-term bank borrowings.

BANKING FACILITIES

As at 31 December 2012, the Group's short-term bank borrowings were RMB86,000,000, all of which were short-term bank borrowings of Neptunus Fuyao.

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

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

SHAREHOLDER'S INTEREST-BEARING FINANCIAL ASSISTANCE

As at 31 December 2012, the shareholder's interest-bearing financial assistance obtained by the Company from Neptunus Bio-engineering amounted to approximately RMB23,000,000. Such shareholder's interest-bearing financial assistance is unsecured and bearing a monthly interest rate of 0.5%. The Company provided such fund to Neptunus Fuyao by way of shareholder's interest-bearing financial assistance for the construction plan of second production base at the same month. As of 31 December 2012, the outstanding accrued interest of shareholder's interest-bearing financial assistance from Neptunus Bio-engineering amounted to approximately RMB5,263,000.

As at 31 December 2012, the subsidiary of the Company obtained shareholder's financial assistance from Shandong Neptunus Yinhe, a subsidiary of Neptunus Bio-engineering, of RMB10,000,000 bearing an annual interest rate of 6%.

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 nonexecutive Directors was of the opinion that the repayment of such shareholder's entrusted loan would not adversely affect the operations of the Company and/or the implementation of its business objectives as set out in the Prospectus, and the Company would make an announcement in respect of the decision of the independent non-executive Directors made under (2); and (3) the Company had a positive cash flow and had retained profits in the relevant financial year. The Company did not repay such shareholder's entrusted loans during the Year.

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

NET CURRENT ASSETS

As at 31 December 2012, the Group had net current assets of approximately RMB172,818,000. Current assets comprised cash and cash equivalents of approximately RMB248,366,000, pledged bank deposits of approximately RMB19,060,000, inventories of approximately RMB134,365,000, tax recoverable of approximately RMB1,328,000 and trade and other receivables of approximately RMB81,931,000. Current liabilities comprised trade and bills payables of approximately RMB113,723,000, interest-bearing bank borrowings to be repaid within one year of approximately RMB86,000,000, tax payable of approximately RMB5,543,000, amounts due to related companies of approximately RMB52,530,000, receipts in advance of approximately RMB6,434,000, entrusted loans of approximately RMB9,000,000, and other payables of approximately RMB39,002,000. The net current assets decreased approximately by 7% as compared with that of approximately RMB185,448,000 as at 31 December 2011. The decrease in net current assets was because that the current assets were transferred to non-current assets due to the construction of Jiangsu Neptunes' production base and the bidding of the land of the second production base of Neptunus Fuyao.

PLEDGE OF ASSETS

Pursuant to the Loan Agreements entered into between Neptunus Fuyao, the Company's subsidiary, and Sanshan Subbranch (Fuzhou) of Fujian Haixia Bank on 23 August 2012 and 31 October 2012, respectively, Neptunus has pledged part of the land use rights and building it owned to Sanshan Subbranch (Fuzhou) of Fujian Haixia Bank.

FOREIGN CURRENCY RISK

During the Year, the Group's operating revenue, major selling costs and capital expenditure were denominated in RMB. Proceeds from the issue of 189,330,000 new H shares of approximately HK$164,252,000 were not fully translated into RMB in accordance with national foreign exchange regulations. As at 31 December 2012, approximately HK$21,733,000 was still not translated into RMB. In addition, in the consideration from disposal in a jointly controlled entity, which was denominated in USD, approximately USD7,859,000 was still not translated into RMB as at 31 December 2012. As such, the exchange rate fluctuation of Hong Kong dollars and USD against RMB may affect the Group's profit for the Year. However, the foreign currency risk facing the Group is limited. 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.

SUBSEQUENT EVENTS

Acquisition of assets and liabilities through acquisition of a subsidiary

On 11 December 2012, the Company entered into a sale and purchase agreement with Neptunus Bio-engineering, the immediate parent company of the Company and Shenzhen Netpunus 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 is principally engaged in the business of sales and distribution of drugs, health supplements and food and is the holder of the licenses in relation to sales and distribution of drugs and health supplements and food. The acquisition was completed on 4 January 2013.

As at the date of this announcement, the Group has not finalised the fair value assessment of assets and liabilities acquired through the acquisition as at the date of acquisition.

CAPITAL COMMITMENTS

As at 31 December 2012, the Group has contracted commitments for future capital expenditure of approximately RMB48,767,000. 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 2012, 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 second production base of Neptunus Fuyao at Lianjiang County, Fuzhou City and the production base of Jiangsu Neptunus, the Company did not make any other major investments.

HUMAN RESOURCES

As at 31 December 2012, the Group employed a total of 1,139 staff (2011: 1,183). During the Year, the staff costs including directors' remuneration which amounted to approximately RMB62,213,000 (2011: approximately RMB48,027,000 (excluding discontinued operations)). The salaries and fringe benefits of the Group's employees remained 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 2012, the number of employees of the Group categorized by various functions was set out as follows:

	As at 31 December	
	2012	2011
The Company		
R&D	**37**	22
Administration	**15**	12
Neptunus Fuyao and its subsidiaries		
Production & Manufacture	**853**	963
Sales & Marketing	**43**	74
Administration	**127**	94
R&D	**30**	9
Jiangsu Neptunus		
Engineering Project Team	**24**	9
Administration	**10**	–
Total	**1,139**	1,183

Compared with 31 December 2011, the movement in the number of employees of the Group for the Year was due to following reasons: (i) Jiangsu Neptunus recruited more staff as a result of engineering progress; (ii) the Company increased input in R&D projects, therefore increased its R&D staff; and (iii) Neptunus Fuyao reduced the employees of the manufacturing department.

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.

DIVIDENDS

The Directors do not recommend the distribution of any dividends for the Year (2011: Nil).

DISTRIBUTABLE RESERVES

At 31 December 2012, 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 RMB122,856,000.

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 did not violate the "required standard of dealings" and the Company's internal code of conduct regarding securities transactions by the Directors during the Year.

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 announcement.

CORPORATE GOVERNANCE PRACTICES

The Corporate Governance Code 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 "Corporate Governance Code and Corporate Governance Report" of the GEM Listing Rules throughout the Year.

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 2012. 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, 19 March 2013

As at the date of this announcement, the executive Directors are Mr. Zhang Feng, Mr. Chai Xiang Dong and Mr. Xu Yan He; the non-executive Directors are Mr. Ren De Quan, Ms. Yu Lin and Mr. Liu Zhan Jun; and the independent non-executive Directors 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*