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 2013

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.

AUDITED ANNUAL RESULTS

The Board of Directors (the "Board") of Shenzhen Neptunus Interlong Bio-technique Company Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2013 (the "Year") together with the comparative audited figures for the year ended 31 December 2012 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2013

	Note	2013 RMB'000	2012 RMB'000
TURNOVER	3, 9	**611,666**	530,458
COST OF SALES		**(360,504)**	(334,960)
GROSS PROFIT		**251,162**	195,498
OTHER REVENUE	4	**6,051**	11,371
OTHER NET INCOME	4	**1,196**	625
Selling and distribution expenses		**(101,640)**	(75,743)
Administrative expenses		**(59,039)**	(48,253)
Other operating expenses		**(46,478)**	(36,305)
PROFIT FROM OPERATIONS		**51,252**	47,193
Finance costs	5(a)	**(7,684)**	(6,590)
PROFIT BEFORE TAXATION	5	**43,568**	40,603
Income tax	6(a)	**3,430**	(4,525)
PROFIT FOR THE YEAR		**46,998**	36,078
Attributable to:			
Owners of the Company		**35,855**	24,298
Non-controlling interests		**11,143**	11,780
		46,998	36,078
Earnings per share			
Basic and diluted	8	**2.14 cents**	1.45 cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2013

	2013	2012
	RMB'000	*RMB'000*
Profit for the year	**46,998**	36,078
Other comprehensive income for the year	**–**	–
Total comprehensive income for the year	**46,998**	36,078
Attributable to:		
Owners of the Company	**35,855**	24,298
Non-controlling interests	**11,143**	11,780
Total comprehensive income for the year	**46,998**	36,078

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2013

	Note	2013 RMB'000	2012 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**184,790**	164,635
Prepaid lease payments		**67,159**	68,729
Intangible assets		**140,247**	130,770
Deposit for acquisition of property, plant and equipment		**11,570**	2,614
Deposit for acquisition of land		**17,330**	17,330
Available-for-sale investments		**300**	300
Deferred tax assets		**1,491**	1,308
		422,887	385,686
CURRENT ASSETS			
Inventories		**120,743**	134,365
Trade and other receivables	*10*	**114,940**	81,931
Tax recoverable		**28**	1,328
Pledged bank deposit		**–**	19,060
Fixed deposit		**2,000**	–
Cash and cash equivalents		**253,511**	248,366
		491,222	485,050
CURRENT LIABILITIES			
Trade and other payables	*11*	**187,954**	211,689
Interest-bearing bank borrowings		**86,000**	86,000
Entrusted loans from the immediate parent company		**9,000**	9,000
Deferred revenue		**2,282**	–
Current taxation		**7,446**	5,543
		(292,682)	(312,232)
NET CURRENT ASSETS		**198,540**	172,818
TOTAL ASSETS LESS CURRENT LIABILITIES		**621,427**	558,504

	2013	2012
	RMB'000	*RMB'000*
NON-CURRENT LIABILITIES		
Financial assistance from the immediate parent company	**27,000**	–
Deferred revenue	**12,608**	3,937
Deferred tax liabilities	**21,215**	36,213
	(60,823)	(40,150)
NET ASSETS	**560,604**	518,354
EQUITY		
Equity attributable to owners of the Company		
Share capital	**167,800**	167,800
Reserves	**308,878**	273,171
	476,678	440,971
NON-CONTROLLING INTERESTS	**83,926**	77,383
TOTAL EQUITY	**560,604**	518,354

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

As at 31 December 2013

	Attributable to owners of the Company							
	Share capital *RMB'000*	Share premium *RMB'000*	Statutory reserve fund *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 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
At 1 January 2013	**167,800**	**554,844**	**17,909**	**(194,339)**	**(105,243)**	**440,971**	**77,383**	**518,354**
Change in equity for 2013								
Profit for the year	–	–	–	–	**35,855**	**35,855**	**11,143**	**46,998**
Total comprehensive income for the year, net of tax	–	–	–	–	**35,855**	**35,855**	**11,143**	**46,998**
Dividend paid from subsidiary to non-controlling interests	–	–	–	–	–	–	**(4,600)**	**(4,600)**
Deemed distribution arising on the acquisition of Neptunus Changjian	–	–	–	**(148)**	–	**(148)**	–	**(148)**
Transfer to other reserves	–	–	**4,807**	–	**(4,807)**	–	–	–
At 31 December 2013	**167,800**	**554,844**	**22,716**	**(194,487)**	**(74,195)**	**476,678**	**83,926**	**560,604**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2013

1. Basis of Preparation

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 2012 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 2013. 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 consolidate 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 which are relevant to the Group's financial statements.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangement
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employee Benefits

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 production and sales of medicines, sales and distribution of medicines and healthcare products 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 and commission income.

	2013	2012
	RMB'000	*RMB'000*
Sales of medicines	**496,578**	529,795
Sales and distribution of medicines and healthcare products	**113,557**	–
Commission income	**1,531**	663
	611,666	530,458

4. Other Revenue and Other Net Income

	2013	2012
	RMB'000	*RMB'000*
Other revenue		
Interest income from bank deposits	**2,186**	1,508
Total interest income on financial assets not at fair value through profit or loss	**2,186**	1,508
Subsidy income released from deferred revenue	**3,340**	8,911
Others	**525**	952
	6,051	11,371
Other net income		
Recovery of impairment on trade receivables	**1,154**	282
Recovery of impairment on other receivables	**32**	148
Write off of other payables	**10**	195
	1,196	625

5. Profit Before Taxation

Profit before taxation is arrived at after charging the following:

	2013	2012
	RMB'000	*RMB'000*
a) Finance costs		
Interest on bank loans wholly repayable within five years	**5,191**	4,760
Interest on financial assistance from the immediate parent company	**2,493**	1,400
Interest on financial assistance from a fellow subsidiary	**–**	430
Total interest expense on financial liabilities not at fair value through profit or loss	**7,684**	6,590
b) Staff costs		
Contributions to defined contribution retirement plan	**14,379**	11,482
Salaries, wages and other benefits	**61,587**	50,731
	75,966	62,213
c) Other items		
Amortisation		
– prepaid lease payments	**1,570**	1,570
– intangible assts *	**4,160**	3,957
Depreciation		
– assets held for own use under operating leases	**3,165**	2,990
– other assets	**14,877**	13,431
Impairment of		
– trade receivables *	**379**	504
– other receivables *	**331**	65
Write down of inventories *	**6,957**	359
Net foreign exchange loss	**1,574**	263
Loss on disposal of property, plant and equipment *	**442**	412
Loss on disposal of intangible assets	**–**	649
Auditor's remuneration		
– audit services	**1,280**	1,200
– other services	**658**	551
Operating lease charges: minimum lease payment	**6,038**	4,989
Cost of inventories	**358,756**	331,854
R&D costs *	**33,809**	30,878

* These amounts are included in "Other operating expenses" on the face of the consolidated statement of profit or loss.

6. Income Tax in the Consolidated Statement of Profit or Loss

a) Income tax in the consolidated statement of profit or loss represents:

	2013	2012
	RMB'000	*RMB'000*
Current tax		
PRC Enterprise Income Tax	**12,647**	9,801
Over provision for PRC Enterprise income tax	**(1,440)**	(1,433)
Deferred tax		
Origination and reversal of temporary differences	**(671)**	(3,241)
Attributable to a change in tax rate	**(13,966)**	(602)
	(3,430)	4,525

Hong Kong Profits Tax has not been provided for as the Group, had no income assessable to Hong Kong Profits Tax for the year (2012: Nil).

On 9 April 2013, a subsidiary of the Group established in the PRC was recognised by the Fujian Province Bureau of Science and Technology as a high technology enterprise. As at 31 December 2013, two subsidiaries of the Group established in the PRC are qualified as high technology enterprise. In accordance with the applicable enterprise income tax of the PRC, these subsidiaries are 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 2013 (2012: 25%).

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

	2013	2012
	RMB'000	*RMB'000*
Profit before taxation	**43,568**	40,603
Notional profit on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	**6,880**	5,061
Tax effect of non-deductible expenses	**1,712**	404
Tax effect of non-taxable income	**(1,398)**	(2,481)
Tax effect of unused tax losses not recognised	**4,782**	3,576
Over provision in prior year	**(1,440)**	(1,433)
Decrease in opening deferred tax liability resulting from a change in tax rate	**(13,966)**	(602)
Actual tax (credit)/expenses	**(3,430)**	4,525

7. Dividends

The Directors do not propose the payment of any dividend for the years ended 31 December 2013 (2012: nil).

8. Earnings Per Share

a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of approximately RMB35,855,000 (2012: approximately RMB24,298,000) and the weighted average number of 1,678,000,000 ordinary shares (2012: 1,678,000,000 ordinary shares) in issue during the year.

b) 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 purpose of resources allocation and performance assessment, the Group has presented the following three reportable segments. No operating segments have been aggregated to form the following reportable segments.

i) Manufacturing and selling of medicines

ii) Sales and distribution of medicines and healthcare products

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

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

The first segment derives its revenue from the manufacture and sale of medicines.

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

The third segment derives its revenue from the provision of R&D services. During the year, the Group suspended the provision of R&D services to external parties.

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

a) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's executive directors 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 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, 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 2013 and 2012 is set out below.

	Manufacturing and selling of medicines		Sales and distribution of medicines and healthcare products		R & D services		Others		Total	
For the year ended 31 December	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Segment revenue										
Revenue from external customers	**496,578**	529,795	**113,557**	–	**–**	–	**1,531**	663	**611,666**	530,458
Inter-segment revenue	**8,035**	–	**404**	–	**–**	–	**–**	–	**8,439**	–
Reportable segment revenue	**504,613**	529,795	**113,961**	–	**–**	–	**1,531**	663	**620,105**	530,458
Reportable segment profit/ (loss) before taxation	**54,390**	74,619	**15,099**	–	**–**	(15,201)	**1,515**	662	**71,004**	60,080
Interest income from bank deposits	**(2,169)**	(1,308)	**(17)**	–	**–**	(200)	**–**	–	**(2,186)**	(1,508)
Interest expenses	**7,684**	5,190	**–**	–	**–**	1,400	**–**	–	**7,684**	6,590
Depreciation and amortisation										
– Property, plant and equipment	**17,831**	13,172	**211**	–	**–**	3,249	**–**	–	**18,042**	16,421
– Prepaid lease payment	**1,570**	1,570	**–**	–	**–**	–	**–**	–	**1,570**	1,570
– Intangible assets	**3,958**	3,950	**202**	–	**–**	7	**–**	–	**4,160**	3,957
Write down of inventories	**3,943**	359	**3,014**	–	**–**	–	**–**	–	**6,957**	359
Impairment of										
– trade receivables	**360**	504	**19**	–	**–**	–	**–**	–	**379**	504
– other receivables	**331**	55	**–**	–	**–**	10	**–**	–	**331**	65
Recovery of impairment on										
– trade receivables	**(1,154)**	(282)	**–**	–	**–**	–	**–**	–	**(1,154)**	(282)
– other receivables	**(32)**	(148)	**–**	–	**–**	–	**–**	–	**(32)**	(148)
Income tax expense	**(7,923)**	4,525	**4,493**	–	**–**	–	**–**	–	**(3,430)**	4,525
Reportable segment assets	**859,692**	714,092	**56,485**	–	**–**	153,772	**–**	–	**916,177**	867,861
Additions to non-current assets (other than financial instrument and deferred tax assets)	**60,365**	16,759	**2,035**	–	**–**	43,635	**–**	–	**62,400**	60,394
Reportable segment liabilities	**297,521**	261,481	**31,210**	–	**–**	49,206	**–**	–	**328,731**	310,687

The Group's customer base is diversified and 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**

	2013	2012
	RMB'000	*RMB'000*
Revenue		
Reportable segment revenue	**620,105**	530,458
Elimination of inter-segment revenue	**(8,439)**	–
Consolidated turnover	**611,666**	530,458
Profit		
Reportable segment profit	**71,004**	60,080
Elimination of inter-segment profit	**(102)**	–
Reportable segment profit derived from the Group's external customers	**70,902**	60,080
Other revenue and other net income	**7,247**	11,996
Depreciation and amortisation	**(23,772)**	(21,948)
Finance costs	**(7,684)**	(6,590)
Unallocated head office and corporate expense	**(3,125)**	(2,935)
Consolidated profit before taxation	**43,568**	40,603
Assets		
Reportable segment assets	**916,177**	867,861
Elimination of inter-segment receivables	**(3,887)**	(61)
	912,290	867,800
Unallocated head office and corporate assets	**300**	300
Deferred tax assets	**1,491**	1,308
Tax recoverable	**28**	1,328
Consolidated total assets	**914,109**	870,736
Liabilities		
Reportable segment liabilities	**328,731**	310,687
Elimination of inter-segment payables	**(3,887)**	(61)
	324,844	310,626
Tax payable	**7,446**	5,543
Deferred tax liabilities	**21,215**	36,213
Consolidated total liabilities	**353,505**	352,382

c) Revenue from major products and services

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

	2013	2012
	RMB'000	*RMB'000*
Medicines and healthcare products	**610,135**	529,795
Commission	**1,531**	663
	611,666	530,458

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. Trade and Other Receivables

	Note	**2013**	2012
		RMB'000	*RMB'000*
Trade and bill receivables		**87,795**	55,742
Less: allowance for doubtful debts		**(2,140)**	(1,204)
		85,655	54,538
Amounts due from subsidiaries	*(i)*	**–**	–
Amounts due from fellow subsidiaries	*(i)*	**108**	2,879
Amounts due from related companies	*(i)*	**12,502**	1,130
Amount due from the immediate parent company	*(i)*	**2,070**	22
Other receivables		**9,014**	10,678
Loans and receivables		**109,349**	69,247
Prepayments and deposits		**5,591**	12,684
		114,940	81,931

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, which approximates the respective revenue recognition dates:

	2013	2012
	RMB'000	*RMB'000*
Within 3 months	**72,042**	48,318
More than 3 months but less than 12 months	**12,893**	6,177
Over 12 months	**720**	43
	85,655	54,538

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 impairment loss

	Note	**2013**	2012
		RMB'000	*RMB'000*
At 1 January		**1,204**	982
Acquisition of a subsidiary	*(iv)*	**3,174**	–
Impairment loss recognised	*(i)*	**379**	504
Recovery of impairment loss	*(ii)*	**(1,154)**	(282)
Uncollectible amount written off	*(iii)*	**(1,463)**	–
At 31 December		**2,140**	1,204

Notes:

i) As at 31 December 2013, trade receivables of the Group amounting to RMB379,000 (2012: RMB504,000) 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) RMB1,154,000 (2012: RMB282,000) of the trade receivables previously impaired was recovered during the year. Therefore, the impairment loss was reversed.

iii) As at 31 December 2013, bad debt of RMB1,463,000 was written off against trade receivables directly as the Group assessed recovery of the amount is remote.

iv) During the year, trade receivables arising from acquisition of a subsidiary amounting to RMB3,174,000 were individually determined to be impaired and allowance had been made. These individually impaired receivables were outstanding for over 1 year as at the date of acquisition or were due from companies with financial difficulties.

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

c) Trade receivables that are not impaired

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

	2013	2012
	RMB'000	*RMB'000*
Neither past due nor impaired	**74,651**	49,520
Past due but not impaired		
1 to 3 months past due	**7,517**	4,160
Over 3 months past due	**3,487**	858
	85,655	54,538

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.

11. Trade and Other Payables

	Note	**2013**	2012
		RMB'000	*RMB'000*
Trade payables		**76,915**	113,723
Receipts in advances		**6,568**	6,434
Other payables and accruals		**50,380**	39,002
Amount due to fellow subsidiaries	*(i)*	**17,379**	13,298
Amount due to the immediate parent company	*(ii)*	**36,712**	39,232
Financial liabilities measured at amortised cost		**187,954**	211,689

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:

	2013	2012
	RMB'000	*RMB'000*
Within 3 months	**55,114**	65,372
4 to 6 months	**14,415**	38,721
7 to 12 months	**4,336**	7,286
Over 1 year	**3,050**	2,344
	76,915	113,723

Note:

i) Included in amount due to fellow subsidiaries, there was interest-bearing financial assistance from a fellow subsidiary of RMB10,000,000 as at 31 December 2012 which is unsecured, bearing interest at 6% and repayable on demand. The remaining balances are unsecured, interest-free and repayable on demand.

On 9 January 2013, the Group repaid the interest-bearing financial assistance of RMB10,000,000 in full. As at 31 December 2013, the balances are unsecured, interest-free and repayable on demand.

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 (2012: RMB23,000,000), which is unsecured, bearing interest at 6.6% and repayable on 31 December 2014. The remaining balances are unsecured, interest-free and repayable on demand.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the Year, the Group was principally engaged in various pharmaceutical businesses such as herbal medicine, generic drugs, transfusion and anti-tumor drugs, the research and development ("R&D") of modern biological pharmaceuticals and purchase and sales of medicines, healthcare foods and foods business ("Purchase and Sales of Medicines and Healthcare Foods Business"). Among which, businesses such as herbal medicine, generic drugs, transfusion and anti-tumor drugs were operated through Fuzhou Neptunus Fuyao Pharmaceutical Company Limited ("Neptunus Fuyao") and its subsidiaries while the industrialization of biological technology products was operated by our subsidiary, Jiangsu Neptunus Bio-pharmaceutical Company Limited ("Jiangsu Neptunus"), Purchase and Sales of Medicines and Healthcare Foods Business was mainly operated by our subsidiary, Shenzhen Neptunus Changjian Pharmaceutical Company Limited ("Neptunus Changjian"). Meanwhile, the Company dedicated itself to the R&D of biological pharmaceuticals and expanded the scale of the R&D in the fields of chemosynthetic anti-tumor drugs and the application of bio-technology in the fields of bioagriculture. Meanwhile, the Group has dedicated itself in the R&D and industrialization of in-vitro diagnostic reagents through collaboration in early 2014.

NEPTUNUS FUYAO BUSINESS

Neptunus Fuyao and its subsidiaries together own more than 40 production lines for 17 types of medications in dose form, as well as 450 approvals in relation to the production of drugs. The number of types of generic drugs in the National Essential Drugs List issued by the Ministry of Health (the "List") in March 2013 was increased from 307 to 520. Besides significantly increasing the number of types of generic drugs, the List also required prioritized use of generic drugs in grade II hospitals. Neptunus Fuyao currently owns 210 types or forms of drugs which are included in the List. The issue of the List was favourable for Neptunus Fuyao's operation in the Year. Neptunus Fuyao and its subsidiaries operated normally during the Year and recorded an income from principal business of approximately RMB504,612,000. Due to the upgrade and enhancement work, certain production lines of Neptunus Fuyao have to be suspended, therefore, income from principal business of Neptunus Fuyao during the Year slightly decreased compared with the same period last year. Neptunus Fuyao has also obtained the high and new technology enterprise certificate, therefore, starting from 2012 and its subsequent three years, Neptunus Fuyao is subject to the PRC enterprise income tax ("EIT") at a rate of 15%.

As the focused work for Neptunus Fuyao's operation during the Year and in 2014, GMP Enhancement and new GMP certification were proceeded smoothly during the Year. Among Neptunus Fuyao's production lines, those required to meet the new GMP requirement have reached the standard before the required deadline of 2013 and obtained relevant GMP certificates. After the end of this Year, GMP Enhancement in Neptunus Fuyao's subsidiary Fuzhou Neptunus Jinxiang Chinese Pharmaceutical Company Limited ("Neptunus Jinxiang") progressed smoothly. All 15 formulations in production have passed the GMP certification and currently obtained the new GMP certificates. Meanwhile Neptunus Fuyao is commencing GMP Enhancement for the production lines of chemical medicine tablets, capsules and powder, special production line of amoxicillin capsules and production line of active pharmaceutical ingredients, and will submit the application of certification to the relevant competent departments. It is expected that Neptunus Fuyao and its subsidiaries will complete the GMP Enhancement and new GMP certification for all production lines in the first half of 2014. Although the GMP Enhancement and new GMP certification temporarily affected Neptunus Fuyao's normal production and supply of certain drugs in the short term, such impact was reduced by Neptunus Fuyao's various initiatives, and, as such , only a minor drop in key operating revenue was recorded while its profit continued to demonstrate positive growth. As the alternations required for those production lines which are proceeding GMP Enhancement are not significant, it is expected that the normal production and supply of the relevant products in 2014 will not be substantially affected.

In order to ensure the sustainable development, Neptunus Fuyao also emphasized on the R&D of new drugs. During the Year, Neptunus Fuyao (1) completed the verification of formulation of Moxifloxacin injection; (2) completed preparatory work on three category II medical devices licenses; (3) passed the on-site checking for the production and registration of new anti-tumor drug namely "Tegafur, Gimeracil and Oteracil Potassium Tablets" (替吉奥片). After the end of the Year, on 7 March 2014, Neptunus Fuyao obtained the production approval of Tegafur, Gimeracil and Oteracil Potassium Tablets, details of which are set out in the announcement of the Company dated 7 March 2014.

Regarding the relevant construction work of the Lianjiang Production Base, the new production base of Neptunus Fuyao, as the progress of demolition by the local government is slower than expected, the Land Use Rights Transfer Contracts have not been signed at the date of this announcement. The Company and Neptunus Fuyao are communicating with the local government department proactively in order to facilitate the local government department for completion of demolition and relocation of such piece of land and so that the signing of Land Use Rights Transfer contracts could be completed as soon as possible.

RECOMBINANT PROTEINS AND POLYPEPTIDE DRUGS BUSINESS

The current key business scope of Jiangsu Neptunus, a wholly-owned subsidiary of the Company includes the construction work of a production base, the clinical trial on recombinant human thymosin α1 for injection and the technology transfer testing on recombinant human interleukin-2(125Ser) for injection.

Jiangsu Neptunus' clinical trial on recombinant human thymosin α1 for injection is undergoing according to the plan. Phase I clinical trial was completed in December 2012. From the results of phase I clinical trial, under the conditions stipulated by the clinical programs, the safety of recombinant human thymosin α1 for injection is well performed. Phase II clinical trial has begun in the first quarter of the Year. As at the end of 2013, phase II clinical trial was launched smoothly and completed 147 trials. According to the current trial, the use of thymosin demonstrated satisfactory results in terms of safety, whereas its effectiveness will be tested in subsequent laboratory trials.

The "approval for recombinant human thymosin α1 clinical research" and related technology were originally owned by Shenzhen Neptunus Pharmaceutical Company Limited 深圳海王藥業有限公司 ("Neptunus Pharmaceutical"). In order to apply for the new drug certificate of recombinant human thymosin α1 for injection and obtain support from local government in the future, on 9 April 2013, Jiangsu Neptunus entered into the Technology Transfer Agreement with Neptunus Pharmaceutical for the acquisition of "approval for recombinant human thymosin α1 clinical research" and related technology for a consideration of RMB13,000,000. Consideration will be paid by four installments, the first and second of which amounting to RMB 6,000,000 have been paid by Jiangsu Neptunus pursuant to the agreement and progress of clinical trial.

During the Year, the construction and settlement for completion of the production base were completed. Scale-up testing for recombinant human thymosin α1 for injection and the production of Phase II clinical trial samples have been completed smoothly. At present, according to the relevant laws and rules, Jiangsu Neptunus is conducting the process confirmation and verification work for the technology transfer of recombinant human interleukin-2(125Ser) for injection. It has proceeded smoothly and the trial production of concentrated solution of recombinant human interleukin-2(125Ser) for injection has been completed.

In line with the Group's development in in-vitro diagnostic reagents, establishment work for relevant production line of in-vitro diagnostic reagents has been launched in January 2014. The progress in various projects of Jiangsu Neptunus will significantly enhance the Group's future expansion of business and profitability. As such, the Group will continue to increase input in the research and development and construction work of Jiangsu Neptunus, which will cause certain impact to the Group's profitability and production in the short term.

PURCHASE AND SALES OF MEDICINES AND HEALTHCARE FOODS BUSINESS

Neptunus Fuyao and the Company have a small amount of operation in the Purchase and Sales of Medicines and Healthcare Foods Business in 2012 and the previous years. In order to expand the development by the Group in such business, the Company acquired Neptunus Changjian in January 2013, and the business development of Neptunus Changjian was confirmed as purchase and sales of medicines, healthcare food products and food products.

Neptunus Changjian's Purchase and Sales of Medicines and Healthcare Foods Business developed rapidly during the Year, and gradually developed a sales team which comprised of more than 200 people and also entered into annual sales agreements with over 100 downstream customers, and recorded an income from principal business totaling approximately RMB113,961,000 during the Year, which brings a new source of income for the Group and provides positive support to the profitability.

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

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

Given the increase in population of China, aging of the average population, as well as on-going increase in the government input in medical protection, pharmaceutical and healthcare product market is expected to remain in the upward trend in 2014. Amid the generally positive external environment, Neptunus Changjian will continue to enhance internal management in 2014. Through optimizing team structure, adjusting market allocation, refining sales management and streamlining workflow processes, the company aims at making continuous breakthroughs in its results.

RESEARCH AND DEVELOPMENT

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

The Company entered into a technical cooperation agreement with the School of Life Sciences, Jilin University on 1 March 2012 to cooperate in the 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 bench-scale testing has almost completed at present. The pilot-scale testing is expected to start in 2014, the results of which will be based on in order to decide whether the interim testing for scale-up research will be launched.

The Company entered into academic subsidy and entrusted R&D agreements with Harbin Institute of Technology ("Harbin Institute") on 2 May 2012 and 31 May 2013 respectively for the cooperative R&D of the Project ET-743 (a chemosynthetic anti-tumor drug). The bench-scale synthetic testing was fully completed during the Year and optimization of the synthetic process has taken place at the same time. Optimization and scale-up experiments are currently under progress.

With the national policy of supporting application of bio-technology to the field of agriculture, the Company utilized its strengths and resources in bio-technology since 2012, cooperated with top-class research institutions in relevant fields in China, and explored in the field of bio-agriculture. At present, it is developing biological products aiming to prevent common piglet intestine diarrhea and to protect intestine function of piglet. The first product is ready to be industrialized and is now proceeding to the stage of administrative examination. It is expected to be industrialized after obtaining the administrative approval.

FINANCIAL REVIEW

The Group's turnover for the Year was approximately RMB611,666,000, representing an increase of approximately 15.31% from that of approximately RMB530,458,000 in the corresponding period last year. The turnover for the Year was mainly derived from sales income of medicines of Neptunus Fuyao and sales income of medicines and healthcare food products of Neptunus Changjian. As a result of upgrade and enhancement, Neptunus Fuyao suspended certain production lines, therefore the turnover decreased slightly as compared with the same period last year. However, with the newly added sales income of Neptunus Changjian this Year, the overall sales of the Group maintained an upward trend.

The Group's gross profit and gross profit margin for the Year were approximately RMB251,162,000 and 41% respectively, increasing by approximately RMB55,664,000 and 4% respectively compared with that of the same period last year. The increase in gross profit and gross profit margin was because newly acquired Neptunus Changjian provided additional gross profit, and the products sold by Neptunus Changjian are products with higher gross profit margin.

The Group's selling and distribution expenses for the Year amounted to approximately RMB101,640,000, representing an significant increase of approximately RMB25,897,000 over approximately RMB75,743,000 of the same period last year. The increase in selling and distribution expenses was mainly due to selling and distribution expenses generated from newly-added Neptunus Changjian's sale business and the expansion of sales network of Neptunus Changjian which resulted in the increase in selling expenses.

The Group's administrative expenses for the Year amounted to approximately RMB59,039,000, representing an increase of approximately RMB10,786,000 and 22.35%, as compared to approximately RMB48,253,000 in the corresponding period last year. The increase in administrative expenses was mainly due to (i) the newly added management expenses of Neptunus Changjian, (ii) the increased foreign exchange loss incurred due to appreciation of RMB during the second quarter this Year; and (iii) the fact that Jiangsu Neptunus is now at stage of trial production, which resulted in the increase in management expenses.

The Group's other operating expenses for the Year amounted to approximately RMB46,478,000, representing an increase of approximately RMB10,173,000 from approximately RMB36,305,000 in the corresponding period last year. The increase in other operating expenses was mainly due to the significant increase in the R&D expenses and written down of inventories.

The Group's finance costs for the Year was approximately RMB7,684,000, representing an increase of approximately RMB1,094,000 from approximately RMB6,590,000 in the corresponding period last year, which was mainly due to (i) as compared to the corresponding period last year, an increase in the interest expenses of total bank loans of Neptunus Fuyao for the Year; (ii) the shareholder's interest-bearing financial assistance obtained by the Company from its parent company, Shenzhen Neptunus Bio-engineering Co., Ltd. ("Neptunus Bio-engineering") amounted to RMB23,000,000, which is bearing an annual interest rate of 6.60%; and (iii) the shareholder's interest-bearing financial assistance obtained by Neptunus Fuyao from Neptunus Bio-engineering on 5 June 2013 amounted to RMB27,000,000, which is bearing an annual interest rate of 6.60%.

The Group's profit after taxation for the Year increased to approximately RMB46,998,000 from approximately RMB36,078,000 for the corresponding period last year. The increase in profit was mainly due to new source of profit from Neptunus Changjian, and that the EIT rate of Neptunus Fuyao was adjusted to 15%, resulting in a decrease of deferred tax liabilities of approximately RMB13,966,000 of Neptunus Fuyao.

As such, profit attributable to the owners of the Company amounted to approximately RMB35,855,000 for the Year, compared with profit of approximately RMB24,298,000 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 2013, total bank borrowings of the Group was approximately RMB86,000,000, all of which were short-term bank borrowings.

BANKING FACILITIES

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

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

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

SHAREHOLDER'S INTEREST-BEARING FINANCIAL ASSISTANCE

As at 31 December 2013, the shareholder's interest-bearing financial assistance obtained by the Company from Neptunus Bio-engineering amounted to RMB23,000,000. Such shareholder's interest-bearing financial assistance is unsecured and bearing an annual interest rate of 6.60%. The Company has provided such fund to Neptunus Fuyao by way of shareholder's interest-bearing financial assistance for the construction plan of Lianjiang Production Base.

As at 31 December 2013, the shareholder's interest-bearing financial assistance obtained by Neptunus Fuyao from Neptunus Bio-engineering amounted to RMB27,000,000. Such shareholder's interest-bearing financial assistance is unsecured and bearing an annual interest rate of 6.60%, and was used in the upgrade and enhancement work of Neptunus Fuyao's certain production lines.

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. Neptunus Bio-engineering had undertaken to the Company that it would not demand repayment of the above-mentioned shareholder's entrusted loan unless and until: (1) the repayment of such shareholder's entrusted loan would not adversely affect the operations of the Company and/or its business objectives as set out in the prospectus published by the Company on 29 August 2005 (the "Prospectus"); (2) each of the independent non-executive Directors was of the opinion that the repayment of such shareholder's entrusted loan would not adversely affect the operations of the Company and/or the implementation of its business objectives as set out in the Prospectus, and the Company would make an announcement in respect of the decision of the independent non-executive Directors made under (2); and (3) the Company had a positive cash flow and had retained profits in the relevant financial year.

NET CURRENT ASSETS

As at 31 December 2013, the Group had net current assets of approximately RMB198,540,000. Current assets comprised cash and cash equivalents of approximately RMB253,511,000, inventories of approximately RMB120,743,000, tax recoverable of approximately RMB28,000, fixed deposit of approximately RMB2,000,000, trade and other receivables of approximately RMB114,940,000. Current liabilities comprised trade and other payables of approximately RMB187,954,000, interest-bearing bank borrowings to be repaid within one year of approximately RMB86,000,000, tax payable of approximately RMB7,446,000, entrusted loans of approximately RMB9,000,000, and deferred revenue of approximately RMB2,282,000. The net current assets increased approximately by RMB25,722,000 as compared with that of approximately RMB172,818,000 as at 31 December 2012. The increase in net current assets was because that Neptunus Changjian was acquired during this Year and most assets of Neptunus Changjian are current assets.

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 1 August 2013 and 6 August 2013, respectively, Neptunus Fuyao 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. As at 31 December 2013, the Group's cash and cash equivalents were mainly denominated in RMB. As such, 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.

CAPITAL COMMITMENTS

As at 31 December 2013, the Group has contracted commitments for future capital expenditure of approximately RMB47,513,000. 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 2013, 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 Lianjiang Production Base of Neptunus Fuyao in Fuzhou City and the production base of Jiangsu Neptunus, the Company did not make any other major investments.

HUMAN RESOURCES

As at 31 December 2013, the Group employed a total of 1,410 staff (2012: 1,139).

During the Year, the staff costs including directors' remuneration which amounted to approximately RMB75,966,000 (2012: approximately RMB62,213,000). 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.

Compared with 31 December 2012, the movement in the number of employees of the Group for the Year was due to following reasons: (i) the Company significantly increased the number of employees due to merger and acquisition and business development of Neptunus Changjian; (ii) the Company increased input in R&D projects, therefore increased its R&D staff; and (iii) Jiangsu Neptunus recruited more staff as a result of engineering progress.

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.

SUBSEQUENT EVENTS

Entering into a Cooperation Agreement (The "Cooperation Agreement")

On 8 January 2014, Jiangsu Neptunus, the subsidiary of the Company, entered into the cooperation agreement with a third party (the "Partner") in relation to the establishment of a joint venture company (the "JV Company"). The development direction of the JV Company includes, among others, utilizing the established preparation technique of fluorescent quantum dots labeled biological probes using metal cadmium sulfide and selenide as core, which is developed by the Partner, to carry out research and development of in-vitro diagnostic reagent and achieve industrialization.

On 26 January 2014, Jiangsu Neptunus established a wholly-owned company by a cash contribution of RMB3,000,000 to carry out the preparation work of the industrialization of in-vitro diagnostic reagent (the "IVD Reagent").

Upon the IVD Reagent developed by the wholly-owned company meeting the conditions of industrialization, the wholly-owned company will be transformed into the JV Company by increasing its registered capital to RMB10,000,000, of which Jiangsu Neptunus will make additional cash contribution of RMB2,100,000 and its accumulated contribution will represent 51% equity interest in the JV Company, while the Partner will hold 49% equity interest by a capital contribution of RMB4,900,000 in the form of patents or proprietary technology in respect of the abovementioned IVD Reagent which met the conditions of industrialization.

DIVIDENDS

The Directors do not recommend the distribution of any dividends for the Year (2012: Nil).

DISTRIBUTABLE RESERVES

At 31 December 2013, 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 RMB119,214,000.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the PRC which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

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.

INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES IN THE LISTED SECURITIES

As far as the Directors or supervisors of the Company are aware, as at 31 December 2013, the interests and short position of the Directors, supervisors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations which were required to be notified to the Company and the Stock Exchange pursuant to Part XV of the Securities and Futures Ordinance ("SFO") (including interests which they were taken or deemed to have under such provisions of the SFO), or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to the "required standard of dealings" for directors as set out in Rule 5.46 of the GEM Listing Rules to be notified to the Company and the Stock Exchange or had otherwise notified to the Company were as follows:

Long positions in the shares of the Company:

Director/supervisor	Capacity	Type of interests	Number of domestic shares held	Approximate percentage of all the domestic shares	Approximate percentage of the Company's issued share capital
Mr. Chai Xiang Dong *(Note (1))*	Beneficial owner	Personal	30,561,000	2.44%	1.82%
Mr. Yu Jun *(Note (2))*	Beneficial owner	Personal	1,014,000	0.08%	0.06%

Notes:

(1) Executive Director and general manager of the Company

(2) Supervisor and employee of the Company.

Long positions in shares of associated corporations of the Company:

Director	Capacity	Type of interests	Name of associated corporation	Number of shares in associated corporation	Approximate percentage of associated corporation's issued share capital
Mr. Zhang Feng *(Note (a))*	Beneficial owner	Personal	Neptunus Bio-engineering	532,437	0.07%
Mr. Liu Zhan Jun *(Note (b))*	Beneficial owner	Personal	Neptunus Bio-engineering	266,217	0.04%
Ms. Yu Lin *(Note (c))*	Beneficial owner	Personal	Neptunus Bio-engineering	79,864	0.01%

Notes:

(a) Mr. Zhang Feng, deputy chairman of the board of directors of Neptunus Bio-engineering, was beneficially interested in approximately 0.07% of the entire issued share capital of Neptunus Bio-engineering, the Company's controlling shareholder, which in turn held directly and indirectly the beneficial interest in approximately 71.67% of the entire issued share capital of the Company, of which 70.38% was directly held and 1.29% was indirectly held through Shenzhen Neptunus Oriental Investment Company Limited ("Neptunus Oriental").

(b) Mr. Liu Zhan Jun, director and president of Neptunus Bio-engineering, was beneficially interested in approximately 0.04% of the entire issued capital of Neptunus Bio-engineering, the Company's controlling shareholder, which in turn held directly and indirectly the beneficial interest in approximately 71.67% of the entire issued share capital of the Company, of which 70.38% was directly held and 1.29% was indirectly held through Neptunus Oriental.

(c) Ms. Yu Lin, director and vice-president of Neptunus Bio-engineering, was beneficially interested in approximately 0.01% of the entire issued share capital of Neptunus Bio-engineering, the Company's controlling shareholder, which in turn held directly and indirectly the beneficial interest in approximately 71.67% of the entire issued share capital of the Company, of which 70.38% was directly held and 1.29% was indirectly held through Neptunus Oriental.

Save as disclosed above, as at 31 December 2013, none of the Directors, supervisors or chief executives of the Company nor their respective associates held any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the "required standard of dealings" for directors as set out in Rule 5.46 of the GEM Listing Rules.

SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

Each of the Directors and supervisors of the Company has entered into a service contract with the Company with a term up to 24 June 2014 and is subject to termination by either party giving not less than three months' prior written notice to the other.

None of the Directors or supervisors of the Company has entered into any service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

Save for the service contracts of the Directors and supervisors of the Company as disclosed above, there were no contracts of significance to which the Company or its controlling shareholder was a party and in which a Director or supervisor of the Company had a material interest, either directly or indirectly, subsisting at the end of the Year or at any time during the Year.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

So far as the Directors and supervisors of the Company are aware, as at 31 December 2013, the interests and/or short positions held by shareholders (not being a Director, a supervisor or a chief executive of the Company) in shares or underlying shares of the Company which were required to be entered in the register pursuant to Section 336 of the SFO or had otherwise notified to the Company were as follows:

Long positions in the shares of the Company:

Name of Substantial Shareholder	Capacity	Number of domestic shares held	Approximate percentage of all the domestic shares	Approximate percentage of the Company's issued share capital
Neptunus Bio-engineering *(Note (a))*	Beneficial owner	1,181,000,000	94.33%	70.38%
	Interest in controlled corporation	21,650,000	1.73%	1.29%
Shenzhen Neptunus Group Company Limited ("Neptunus Group") *(Note (b))*	Interest in controlled corporation	1,202,650,000	96.06%	71.67%
Shenzhen Yinhetong Investment Company Limited ("Yinhetong") *(Note (c))*	Interest in controlled corporation	1,202,650,000	96.06%	71.67%

Name of Substantial Shareholder	Capacity	Number of domestic shares held	Approximate percentage of all the domestic shares	Approximate percentage of the Company's issued share capital
Mr. Zhang Si Min *(Note (d))*	Interest in controlled corporation	1,202,650,000	96.06%	71.67%
Ms. Wang Jin Song *(Note (e))*	Interest of spouse	1,202,650,000	96.06%	71.67%
Bank of Hangzhou Co., Ltd., Shenzhen Branch ("Bank of Hangzhou") *(Note (f))*	Security interest in shares	1,181,000,000	94.33%	70.38%

Notes:

(a) Neptunus Bio-engineering was deemed to be interested in the 21,650,000 domestic shares of the Company held by Neptunus Oriental as the entire issued share capital of Neptunus Oriental was beneficially owned by Neptunus Bio-engineering. Neptunus Bio-engineering was also directly interested in 1,181,000,000 domestic shares of the Company. Therefore, Neptunus Bio-engineering was directly and indirectly interested in 1,202,650,000 domestic shares of the Company.

(b) Neptunus Group was deemed to be interested in the 1,202,650,000 domestic shares of the Company, which relate to the same parcel of shares referred to in note (a) above, held by Neptunus Bio-engineering as Neptunus Group was beneficially interested in approximately 24.66% of the entire issued share capital of Neptunus Bio-engineering.

(c) Yinhetong was deemed to be interested in 1,202,650,000 domestic shares of the Company, which relate to the same parcel of shares referred to in note (a) above, held by Neptunus Bio-engineering as Yinhetong was beneficially interested in approximately 58.96% of the entire issued share capital of Neptunus Group, which in turn was beneficially interested in approximately 24.66% of the entire issued share capital of Neptunus Bio-engineering.

(d) Mr. Zhang Si Min ("Mr. Zhang") was deemed to be interested in 1,202,650,000 domestic shares of the Company, which relate to the same parcel of shares referred to in note (a) above, held by Neptunus Bio-engineering as Mr. Zhang was beneficially interested in 70% of the entire issued share capital of Yinhetong, which in turn was beneficially interested in approximately 58.96% of the entire issued share capital of Neptunus Group, which in turn was beneficially interested in approximately 24.66% of the entire issued share capital of Neptunus Bio-engineering.

(e) Ms. Wang Jin Song ("Ms. Wang") was deemed to be interested in 1,202,650,000 domestic shares of the Company, which relate to the same parcel of shares referred to in note (a) above, held by Neptunus Bio-engineering as Ms. Wang is the spouse of Mr. Zhang and was taken to be beneficially interested in any shares held by Mr. Zhang.

(f) Bank of Hangzhou was deemed to be interested in 1,181,000,000 domestic shares of the Company held by Neptunus Bio-engineering which has pledged its domestic shares to Bank of Hangzhou.

Save as disclosed above, the Directors and supervisors of the Company are not aware of any other persons (except the Directors, supervisors or chief executives of the Company) who held any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO as at 31 December 2013.

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.

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 complied with the "required standard of dealings" and the Company's internal code of conduct regarding securities transactions by the Directors during the Year.

REVIEW OF FINANCIAL INFORMATION

The audit committee of the Company has reviewed the Group's annual results for the Year. The financial figures in this announcement and the amounts set out in the Group's audited consolidated financial statements for the Year have been agreed by the Group's auditor, Crowe Horwath (HK) CPA Limited. 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 2013. The financial statements have 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, 21 March 2014

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 Ms. Yu Lin, Mr. Liu Zhan Jun and Mr. Song Ting Jiu; and the independent non-executive Directors are Mr. Yick Wing Fat, Simon, Mr. Poon Ka Yeung and Mr. Yu Bo.

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*