



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)

(於中華人民共和國註冊成立之股份有限公司)

Stock Code : 8329

* For identification purpose only



2015 Interim Report



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

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

INTERIM RESULTS (UNAUDITED)

The board of Directors (the “Board”) of the Company is pleased to present the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2015 (the “Reporting Period”), together with the unaudited comparative figures for the corresponding period of 2014.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (UNAUDITED)

for the three months and six months ended 30 June 2015

	Note	For the three months ended 30 June		For the six months ended 30 June	
		2015 (Unaudited) RMB'000	2014 (Unaudited) RMB'000	2015 (Unaudited) RMB'000	2014 (Unaudited) RMB'000
Revenue	5	178,971	167,202	329,850	316,269
Cost of sales		(97,093)	(93,881)	(180,818)	(177,081)
Gross profit		81,878	73,321	149,032	139,188
Other revenue	5	3,633	2,937	6,184	4,422
Other net income	5	178	61	1,154	64
Selling and distribution expenses		(49,094)	(30,525)	(71,982)	(48,856)
Administrative expenses		(14,975)	(10,974)	(29,321)	(26,507)
Other operating expenses		(10,960)	(11,875)	(23,371)	(21,988)
Profit from operations		10,660	22,945	31,696	46,323
Finance costs	7	(2,825)	(3,220)	(5,534)	(5,268)
Profit before taxation	6	7,835	19,725	26,162	41,055
Income tax	8	(2,689)	(5,036)	(7,548)	(9,808)
Profit for the period		5,146	14,689	18,614	31,247
Attributable to:					
Owners of the Company		2,983	11,153	13,944	24,139
Non-controlling interests		2,163	3,536	4,670	7,108
Profit for the period		5,146	14,689	18,614	31,247
Earnings per share					
Basic and diluted	10	RMB0.18 cents	RMB0.66 cents	RMB0.83 cents	RMB1.44 cents

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED)

for the three months and six months ended 30 June 2015

	For the three months ended 30 June		For the six months ended 30 June	
	2015 (Unaudited) RMB'000	2014 (Unaudited) RMB'000	2015 (Unaudited) RMB'000	2014 (Unaudited) RMB'000
Profit for the period	5,146	14,689	18,614	31,247
Other comprehensive income for the period				
Other comprehensive income for the period, net of tax	–	–	–	–
Total other comprehensive income for the period, net of tax	–	–	–	–
Total comprehensive income for the period	5,146	14,689	18,614	31,247
Total comprehensive income attributable to:				
Owners of the Company	2,983	11,153	13,944	24,139
Non-controlling interests	2,163	3,536	4,670	7,108
Total comprehensive income for the period	5,146	14,689	18,614	31,247

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

as at 30 June 2015

	Note	As at 30 June 2015 (Unaudited) RMB'000	As at 31 December 2014 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	11	184,651	183,351
Prepaid lease payments		102,820	65,589
Intangible assets		145,659	144,538
Deposit for acquisition of property, plant and equipment		20,209	12,507
Deposit for acquisition of land		–	38,238
Available-for-sale investment		300	300
Deferred tax assets		1,703	1,465
Value-added tax recoverable		8,392	7,944
		463,734	453,932
CURRENT ASSETS			
Inventories		159,705	140,543
Trade and other receivables	12	148,022	146,233
Principal protected deposit		–	20,000
Pledged bank deposit		4,411	–
Fixed deposit		13,431	15,372
Cash and cash equivalents		248,200	235,584
		573,769	557,732
CURRENT LIABILITIES			
Trade and other payables	13	268,413	240,535
Interest-bearing bank borrowings	14	100,000	115,000
Entrusted loans from the immediate parent company		9,000	9,000
Deferred revenue		609	1,641
Current taxation		11,141	10,381
		(389,163)	(376,557)
NET CURRENT ASSETS		184,606	181,175
TOTAL ASSETS LESS CURRENT LIABILITIES		648,340	635,107
NON-CURRENT LIABILITIES			
Deferred revenue		15,643	14,889
Deferred tax liabilities		19,632	20,167
		(35,275)	(35,056)
NET ASSETS		613,065	600,051
EQUITY			
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital		167,800	167,800
Reserves		355,996	342,052
		523,796	509,852
NON-CONTROLLING INTERESTS		89,269	90,199
TOTAL EQUITY		613,065	600,051

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

for the six months ended 30 June 2015

	Attributable to owners of the Company					Sub-total RMB'000	Non- controlling Interests RMB'000	Total equity RMB'000
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory reserve fund RMB'000	Accumulated loss RMB'000			
At 1 January 2014	167,800	554,844	(194,487)	22,716	(74,195)	476,678	83,926	560,604
Change in equity for 2014								
Profit for the period	-	-	-	-	24,139	24,139	7,108	31,247
Other comprehensive income for the period, net of tax	-	-	-	-	-	-	-	-
Total comprehensive income for the period, net of tax	-	-	-	-	24,139	24,139	7,108	31,247
Transfer to other reserves	-	-	-	350	(350)	-	-	-
At 30 June 2014	<u>167,800</u>	<u>554,844</u>	<u>(194,487)</u>	<u>23,066</u>	<u>(50,406)</u>	<u>500,817</u>	<u>91,034</u>	<u>591,851</u>
At 1 January 2015	167,800	554,844	(194,487)	30,244	(48,549)	509,852	90,199	600,051
Change in equity for 2015								
Profit for the period	-	-	-	-	13,944	13,944	4,670	18,614
Other comprehensive income for the period, net of tax	-	-	-	-	-	-	-	-
Total comprehensive income for the period, net of tax	-	-	-	-	13,944	13,944	4,670	18,614
Non-controlling interests dividend	-	-	-	-	-	-	(5,600)	(5,600)
Transfer to other reserves	-	-	-	1,423	(1,423)	-	-	-
At 30 June 2015	<u>167,800</u>	<u>554,844</u>	<u>(194,487)</u>	<u>31,667</u>	<u>(36,028)</u>	<u>523,796</u>	<u>89,269</u>	<u>613,065</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

for the six months ended 30 June 2015

	For the six months ended 30 June	
	2015 (Unaudited) RMB'000	2014 (Unaudited) RMB'000
NET CASH GENERATED FROM OPERATING ACTIVITIES	32,152	11,523
NET CASH USED IN INVESTING ACTIVITIES	(2)	(44,677)
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES	(19,534)	23,732
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	12,616	(9,422)
Cash and cash equivalents at the beginning of period	235,584	253,511
CASH AND CASH EQUIVALENTS AT END OF PERIOD	248,200	244,089

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2015

1. CORPORATE INFORMATION

The Company is a joint stock limited company registered in the People's Republic of China (the "PRC"). The registered office of the Company is located at 1st Floor, Block 1, Research Building, Neptunus Technical Center, Langshan 2nd R.N., Nanshan District, Shenzhen, Guangdong Province, the PRC.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements for the six months ended 30 June 2015 have been prepared in accordance with the applicable disclosure provision of the GEM Listing Rules on the Stock Exchange, including compliance with Hong Kong Accounting Standard ("HKAS") 34, "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The preparation of the unaudited condensed consolidated financial statements in conformity with HKAS 34 requires the management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The unaudited condensed consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended 31 December 2014, except for the adoption of the new Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("HKFRSs"). The condensed consolidated financial statements do not include all the information and disclosures required for annual financial statements, and should be read in conjunction with the financial statements of the Group for the year ended 31 December 2014.

In the current interim period, the Group has applied, for the first time, the following new and revised HKFRSs issued by the HKICPA:

Amendments to HKAS 19
Amendments to HKFRSs
Amendments to HKFRSs

Defined Benefit Plans: Employee Contributions
Annual Improvements to HKFRSs 2010-2012 Cycle
Annual Improvements to HKFRSs 2011-2013 Cycle

There have been no significant changes to the accounting policy applied in these financial statements for the periods as a result of the developments.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

This unaudited condensed consolidated interim financial information for the period ended 30 June 2015 comprises the Company and its subsidiaries.

The measurement basis used in the preparation of these financial statements is the historical cost basis. These financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company and all amounts are rounded to the nearest thousand except where otherwise indicated.

The condensed consolidated financial statements of interim financial information are unaudited.

3. SEGMENT REPORTING

The Group manages its business by divisions, which are organized by a mixture of both business lines (products and services) and geography. In a manner consistent with the way in which information is reported internally to the Group's executive directors for the purpose of resources allocation and performance assessment, the Group has presented the following three reportable segments. No operating segments have been aggregated to form the following reportable segments.

- (i) Manufacturing and selling of medicines
- (ii) Sales and distribution of medicines and healthcare products
- (iii) Provision of research and development ("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.

(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 basis:

Segment assets include all tangible, intangible assets and current assets with the exception of available-for-sale investment, 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 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 period ended 30 June 2015 and 30 June 2014 is set out below:

For the six months ended 30 June	Manufacturing and selling of medicines		Sales and distribution of medicines and healthcare products		R&D services		Total	
	2015	2014	2015	2014	2015	2014	2015	2014
	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	(Unaudited) RMB'000	((Unaudited) RMB'000	(Unaudited) RMB'000
Revenue from external customers	228,435	258,161	101,394	58,056	21	52	329,850	316,269
Inter-segment revenue	6,558	4,911	8	203	-	-	6,566	5,114
Reportable segment revenue	234,993	263,072	101,402	58,259	21	52	336,416	321,383
Reportable segment profit/(loss) (adjusted EBITDA)	27,066	46,067	14,088	10,145	(1,442)	(970)	39,712	55,242
Interest income from bank deposits	2,307	1,505	36	17	-	3	2,343	1,525
Interest expenses	(5,534)	(5,268)	-	-	-	-	(5,534)	(5,268)
Depreciation and amortisation								
– Property, plant and equipment	(9,200)	(9,503)	(130)	(111)	(177)	(30)	(9,507)	(9,644)
– Prepaid lease payment	(785)	(785)	-	-	-	-	(785)	(785)
– Intangible assets	(1,977)	(1,981)	(101)	(101)	-	-	(2,078)	(2,082)
Impairment on trade receivables	(3)	(166)	-	(3)	-	-	(3)	(169)
Reversal of impairment on trade receivables	88	9	-	3	-	-	88	12
Impairment on other receivables	(10)	(113)	(184)	-	-	-	(194)	(113)
Reversal of impairment on other receivables	-	5	222	-	-	-	222	5
Write down of inventories	(260)	(1,788)	(1,689)	(984)	-	-	(1,949)	(2,772)
Reversal of write down of inventories	90	47	754	-	-	-	844	47
Income tax expense	(3,830)	(7,317)	(3,718)	(2,491)	-	-	(7,548)	(9,808)

	Manufacturing and selling of medicines		Sales and distribution of medicines and healthcare products		R&D services		Total	
	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
Reportable segment assets	946,271	940,070	95,557	77,590	2,080	2,273	1,043,908	1,019,933
Additions to non-current assets during the period/year (other than financial instruments and deferred tax assets)	24,978	53,145	641	202	23	1,782	25,642	55,129
Reportable segment liabilities	354,461	350,871	44,012	38,054	3,600	2,174	402,073	391,099

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

	Six months ended 30 June	
	2015 (Unaudited) RMB'000	2014 (Unaudited) RMB'000
Revenue		
Reportable segment revenue	336,416	321,383
Elimination of inter-segment revenue	(6,566)	(5,114)
Consolidated segment revenue	329,850	316,269
Profit		
Reportable segment profit	39,712	55,242
Elimination of inter-segment profit	(1,875)	(190)
Reportable segment profit derived from the Group's external customers	37,837	55,052
Other revenue and other net income	7,338	4,486
Depreciation and amortisation	(12,370)	(12,511)
Finance costs	(5,534)	(5,268)
Unallocated head office and corporate expense	(1,109)	(704)
Consolidated profit before taxation	26,162	41,055

	At 30 June 2015 (Unaudited) RMB'000	At 31 December 2014 (Audited) RMB'000
Assets		
Reportable segment assets	1,043,908	1,019,933
Elimination of inter-segment receivables	(8,408)	(10,034)
	1,035,500	1,009,899
Unallocated head office and corporate assets	300	300
Deferred tax assets	1,703	1,465
Consolidated total assets	1,037,503	1,011,664
Liabilities		
Reportable segment liabilities	402,073	391,099
Elimination of inter-segment payables	(8,408)	(10,034)
	393,665	381,065
Tax payable	11,141	10,381
Deferred tax liabilities	19,632	20,167
Consolidated total liabilities	424,438	411,613

4. SEASONALITY OF OPERATIONS

The Group's business in the manufacturing and selling of medicines, sales and distribution of medicines and healthcare products and provision of R&D services had no specific seasonality factor.

5. REVENUE AND OTHER REVENUE

The Group's revenue represents the net invoiced value of the goods sold net of value-added tax ("VAT") after allowances for returns and trade discounts, net invoiced value of R&D services provided net of VAT. An analysis of revenue and other revenue is as follows:

	For the three months ended 30 June		For the six months ended 30 June	
	2015 (Unaudited) RMB'000	2014 (Unaudited) RMB'000	2015 (Unaudited) RMB'000	2014 (Unaudited) RMB'000
Revenue				
Sale of medicines	115,548	134,053	228,435	258,161
Sales and distribution of medicines and healthcare products	63,407	33,097	101,394	58,056
R&D services income	16	52	21	52
	178,971	167,202	329,850	316,269
Other revenue				
Interest income from bank deposits	1,160	1,029	2,343	1,525
Government subsidy income	649	1,882	1,988	2,869
Compensation from government	832	–	832	–
Other	992	26	1,021	28
	3,633	2,937	6,184	4,422
Other net income				
Reversal of impairment on trade receivables	88	9	88	12
Reversal of impairment on other receivables	–	5	222	5
Reversal of write down of inventories	90	47	844	47
	178	61	1,154	64

6. PROFIT BEFORE TAXATION

	For the three months ended 30 June		For the six months ended 30 June	
	2015 (Unaudited) RMB'000	2014 (Unaudited) RMB'000	2015 (Unaudited) RMB'000	2014 (Unaudited) RMB'000
(a) Staff costs (including directors' emoluments)				
Salaries, wages and other benefits	19,297	18,693	38,884	35,123
Contributions to defined contribution retirement plan	4,349	3,389	8,218	7,430
	23,646	22,082	47,102	42,553
(b) Other Item				
Cost of inventories	91,874	94,397	175,257	175,830
Amortisation				
– prepaid lease payments	392	392	785	785
– Intangible assets *	1,039	1,043	2,078	2,082
Depreciation	4,951	5,241	9,507	9,644
R & D costs *	9,802	7,964	18,971	16,521
Operating lease charges:				
– minimum lease payment	2,727	1,685	4,212	3,385
Impairment on trade receivables *	3	148	3	169
Impairment on other receivables *	10	113	194	113
Loss on disposal of property, plant and equipment *	100	9	100	270
Write down of inventory *	45	2,772	1,949	2,772
Auditor's remuneration				
– other services	327	260	420	260

* These amounts have been included in "Other operating expenses" in the unaudited condensed consolidated statement of profit or loss.

7. FINANCE COSTS

	For the three months ended 30 June		For the six months ended 30 June	
	2015 (Unaudited) RMB'000	2014 (Unaudited) RMB'000	2015 (Unaudited) RMB'000	2014 (Unaudited) RMB'000
Interest on bank loans wholly repayable within five years	1,751	1,848	3,439	3,075
Interest on financial assistance from the immediate parent company	1,074	1,372	2,095	2,193
Total interest expense on financial liabilities not at fair value through profit or loss	2,825	3,220	5,534	5,268

8. INCOME TAX

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

	For the three months ended 30 June		For the six months ended 30 June	
	2015 (Unaudited) RMB'000	2014 (Unaudited) RMB'000	2015 (Unaudited) RMB'000	2014 (Unaudited) RMB'000
Current tax				
Provision for PRC Enterprise Income Tax	3,097	5,133	8,321	10,305
Deferred tax				
Origination and reversal of temporary differences	(408)	(97)	(773)	(497)
	2,689	5,036	7,548	9,808

Hong Kong Profits Tax has not been provided for as the Group had no income assessable to Hong Kong Profits Tax during the Reporting Period (30 June 2014: Nil).

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

The Company and the other PRC subsidiaries are subject to the PRC EIT at a rate of 25% for the Reporting Period (30 June 2014: 25%).

9. DIVIDENDS

The Board does not recommend the payment of any dividend for the Reporting Period (2014: Nil).

10. EARNINGS PER SHARE

Basic earnings per share

For the three-month and six-month periods ended 30 June 2015, the calculation of basic earnings per share was based on the profit attributable to owners of the Company of approximately RMB2,983,000 and RMB13,944,000 respectively (three-month and six-month periods ended 30 June 2014: profit of approximately RMB11,153,000 and RMB24,139,000 respectively) and the weighted average number of 1,678,000,000 ordinary shares in issue for the three-month and six-month periods ended 30 June 2015 (2014: 1,678,000,000 ordinary shares).

Diluted earnings per share

Diluted earnings per share for the three-month and six-month periods ended 30 June 2015 and 2014 equals to basic earnings per share because there were no potential dilutive ordinary shares outstanding during these periods.

11. PROPERTY, PLANT AND EQUIPMENT

During the Reporting Period, property, plant and equipment purchased and disposed of by the Group were approximately RMB13,120,000 (30 June 2014: RMB14,657,000) and RMB191,000 (30 June 2014: RMB1,112,000) respectively.

12. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade and bills receivables, the aging analysis of which, based on the invoice date which approximates the respective revenue recognition dates, is as follows:

	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
Within 3 months	111,343	105,398
More than 3 months but less than 12 months	18,647	13,929
Over 12 months	1,134	951
Trade and bills receivables, net	131,124	120,278
Amount due from intermediate parent company	216	–
Amount due from fellow subsidiaries	1,890	200
Amount due from immediate parent company	2,070	2,070
Amount due from related companies	3,449	6,252
Other receivables	1,944	2,073
Value-added tax recoverable	8,512	8,332
Loans and receivables	149,205	139,205
Prepayments and deposits	7,209	14,972
Less: Non-current assets	156,414	154,177
Value-added tax recoverable	(8,392)	(7,944)
	148,022	146,233

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

13. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade and bills payables, the aging analysis of which, based on the invoice date, is as follows:

	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
Within 3 months	72,449	62,502
4 to 6 months	8,300	19,464
7 to 12 months	15,354	6,782
Over 1 year	4,153	3,581
Trade and bills payables (Note i)	100,256	92,329
Receipts in advances	7,930	5,754
Other payables and accruals	59,002	58,844
Amount due to non-controlling interests	5,733	–
Amount due to fellow subsidiaries	30,422	19,449
Amount due to immediate parent company	1,070	1,159
Financial assistance from the immediate parent company (Note ii)	64,000	63,000
Financial liabilities measured at amortised cost	268,413	240,535

Note:

- i) Included in the amount of RMB100,256,000, bills payable of RMB4,411,000 (At 31 December 2014: Nil) was secured by the pledged bank deposit of RMB4,411,000 (At 31 December 2014: Nil).
- ii) The amounts compose of financial assistance of RMB23,000,000, RMB27,000,000, RMB13,000,000 and RMB1,000,000 obtained from the immediate parent company, Shenzhen Neptunus Bio-engineering Co., Ltd. ("Neptunus Bio-engineering"). The amounts were unsecured, bearing interest at 6.72% (At 31 December 2014: 7.2%) per annum and repayable on 31 December 2015.

On 5 September 2012, the Group obtained RMB30,000,000 interest-bearing financial assistance. The financial assistance was unsecured, bearing interest at 6% per annum and repayable on 31 December 2014. In May 2013, the interest rate was increased to 6.6% per annum. In December 2012, the Company repaid part of the financial assistance in the amount of RMB7,000,000.

On 5 June 2013, the Group obtained interest-bearing financial assistance of RMB27,000,000 from Neptunus Bio-engineering. The financial assistance was unsecured, bearing interest at 6.6% per annum and repayable on 4 June 2015.

An advance of RMB13,329,000 from Neptunus Bio-engineering turned into financial assistance since 1 January 2014 which was unsecured, bearing interest at 6.6% per annum and repayable on 31 December 2014. An amount of RMB329,000 was repaid during 2014.

In January 2014, an agreement was signed to revise the terms of the foresaid financial assistance. The interest rate was adjusted upwards to 7.2% per annum from 1 April 2014 which was 20% above 1-year benchmark lending rate issued by the People's Bank of China and the financial assistance was repayable on 31 December 2014. In January 2015, agreements were signed that all the above financial assistance will be repayable on 31 December 2015 and bears interest at 6.72% per annum which is 20% above 1-year benchmark lending rate issued by the People's Bank of China and the interest rate is adjusted yearly.

On 12 June 2015, the Group obtained interest-bearing financial assistance of RMB1,000,000. The amount was unsecured, bearing interest at 6.72% per annum which is 20% above 1-year benchmark lending rate issued by the People's Bank of China and the interest rate is adjusted yearly and repayable on 31 December 2015.

14. INTEREST-BEARING BANK BORROWINGS

		Effective interest rate	Maturity	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
Short-term bank loan					
– unsecured	(a)	–	–	–	15,000
– secured	(b)	5.6%	2015	100,000	100,000
				100,000	115,000
Interest-bearing bank borrowings repayable: Within 1 year or on demand				100,000	115,000

Note:

The interest-bearing bank borrowings are carried at amortised cost. All of the Group's borrowings are denominated in RMB.

A subsidiary of the Group was subject to the fulfilment of financial and non-financial covenants, as commonly found in lending arrangements in interest-bearing bank borrowings. The subsidiary was required to maintain profitability and certain level of gearing ratio.

- (a) On 18 March 2014, the Group obtained banking facility of RMB30,000,000 of which RMB15,000,000 is revolving loan and RMB15,000,000 is for the issue of bills under 100% pledged cash. The banking facility of revolving loan amounting to RMB15,000,000 is guaranteed by a guarantee corporation and counter-guaranteed by the Company. The banking facility period is 18 months from 18 March 2014 to 17 September 2015.

On 26 March 2014, loan agreement was signed to draw the revolving loan of RMB15,000,000. The loan was repayable on 1 October 2014 and bears interest of 7.2% per annum which is 20% above 1-year benchmark lending rate issued by the People's Bank of China. On 24 September 2014, the loan was repaid, bearing interest ranged from 6.12% to 7.2% per annum which is 20% above 1-year benchmark lending rate issued by the People's Bank of China and repaid on 10 June 2015.

- (b) At 30 June 2015, the interest-bearing bank borrowings of the Group of RMB100,000,000 (At 31 December 2014: RMB100,000,000) were secured by mortgages over its buildings and prepaid lease payments with carrying values of approximately RMB38,448,000 and RMB64,804,000 (At 31 December 2014: approximately RMB39,807,000 and RMB65,589,000) respectively.

On 18 May 2015, the Group obtained another banking facility of RMB30,000,000 for the issue of bills under 100% pledged cash. The banking facility period is 1 year from 18 May 2015 to 18 May 2016.

As at 30 June 2015, the total banking facilities were utilised to the extent of RMB104,411,000 (At 31 December 2014: RMB115,000,000) and the Group has available un-utilised banking facilities of RMB55,589,000 (At 31 December 2014: RMB15,000,000).

15. COMMITMENTS

(a) Capital commitments outstanding at 30 June 2015 not provided for in the financial statements were as follows:

	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
Property, plant and equipment		
Contracted for, but not provided for:		
Property, plant and equipment	24,566	15,093
	24,566	15,093
Intangible assets		
Contracted for, but not provided for:		
Technical know-how, net of deposits	2,992	2,992
Acquisition of intangible asset	7,000	7,000
	9,992	9,992
	34,558	25,085

(b) At 30 June 2015, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	30 June 2015 (Unaudited) RMB'000	31 December 2014 (Audited) RMB'000
Within 1 year	8,138	7,747
After 1 year but within 5 years	6,723	10,592
	14,861	18,339

The Group as lessee leases office premises under operating leases arrangements. Leases for the office premises are negotiated for one to five years term. None of the leases includes contingent rental.

16. MATERIAL RELATED PARTY TRANSACTIONS

(a) The Group had the following material transactions with its related parties during the Reporting Period:

Name of related parties	Relationship	Nature of transactions	Notes	For the six months ended 30 June	
				2015 (Unaudited) RMB'000	2014 (Unaudited) RMB'000
Shenzhen Neptunus Group Co., Ltd.	Intermediate parent company	Rental of office	(i)	1,016	–
Neptunus Bio-engineering	Immediate parent company	Interest for interest-bearing financial assistance	(iii)(viii)	2,095	2,193
		Rental of office	(i)(iii)	64	141
Shenzhen Neptunus Pharmaceutical Co., Ltd. ("Neptunus Pharmaceutical")	Fellow subsidiary	Purchase of goods	(ii)(iii)	28,182	12,243
		Sales of goods	(ii)(iii)	14	–
Hangzhou Neptunus Bio-engineering Co., Ltd.	Fellow subsidiary	Processing income	(ii)(iii)	3	–
		Purchase of goods	(ii)(iii)	871	2,802
Zhejiang Neptunus Pharmaceutical Co., Ltd.	Fellow subsidiary	Sales of goods	(ii)(ix)	–	45
Shandong Neptunus Yinhe Pharmaceutical Company Limited	Fellow subsidiary	Sales of goods	(ii)(iii)	424	77
Shenzhen Neptunus Yinhe Pharmaceutical Investment Company Limited ("Neptunus Yinhe")	Fellow subsidiary	Sales of goods	(ii)(iii)	9	–
Shenzhen Neptunus Jiankang Technology Development Company Ltd. ("Neptunus Jiankang")	Fellow subsidiary	Purchase of goods	(ii)(iv)	2,923	693
Anhui Neptunus Yinhe Pharmaceutical Company Limited	Fellow subsidiary	Sales of goods	(ii)(iii)	84	20
Henan Neptunus Yinhe Pharmaceutical Company Limited	Fellow subsidiary	Sales of goods	(ii)(iii)	1	2
Jiangsu Neptunus Jiankang Bio-technology Company Limited	Fellow subsidiary	Sales of goods	(ii)(iv)	5	22
Shenzhen Neptunus Tongai Pharmaceutical Information Consulting Company Limited ("Tongai Pharmaceutical") (previously known as "Shenzhen Neptunus Tongai Pharmaceutical Manufacturing Company Limited")	Fellow subsidiary	Rental of office and factory premises	(iii)(vii)	–	–
Hubei Neptunus Pharmaceutical Co., Ltd.	Fellow subsidiary	Sales of goods	(ii)(iii)	9	–
Henan Dongsan Pharmaceutical Co., Ltd.	Fellow subsidiary	Sales of goods	(ii)(iii)	153	–
Hubei Neptunus Deming Pharmaceutical Co., Ltd.	Fellow subsidiary	Sales of goods	(ii)(iii)	9	–

Name of related parties	Relationship	Nature of transactions	Notes	For the six months ended 30 June	
				2015 (Unaudited) RMB'000	2014 (Unaudited) RMB'000
Jiangsu Neptunus Yinhe Pharmaceutical Co., Ltd.	Fellow subsidiary	Sales of goods	(ii)(iii)	57	–
Hubei Neptunus Pengtai Pharmaceutical Co., Ltd.	Fellow subsidiary	Sales of goods	(ii)(iii)	9	–
Zaozhuang Yinhe Pharmaceutical Co., Ltd.	Fellow subsidiary	Sales of goods	(ii)(iii)	42	–
Jiamusi Neptunus Pharmaceutical Company Limited	Fellow subsidiary	Sales of goods	(ii)(iii)	946	–
Hangzhou Nepstar Health Pharmacy Company Limited	Related company	Sales of goods	(ii)(v)	79	–
Shenzhen Nepstar Pharmaceutical Co., Ltd.	Related company	Sales of goods Marketing fee	(ii)(v) (v)(vi)	6,577 309	8,138 300

Notes:

- i) The rental of office was charged at pre-agreed rate with reference to market prices.
- ii) The purchase, sales and processing income received were transacted in the ordinary course of business on the same terms as those charged to and contracted with other third party suppliers and customers respectively.
- iii) The ultimate parent company of these related parties is also the ultimate parent company of the Group.
- iv) The ultimate parent company of these related parties is also the ultimate parent company of the Group. The director of the Company, Mr. Zhang Feng is also a director of these related parties.
- v) The director of the immediate parent company, Mr. Zhang Si Min is also the director of the ultimate parent company of the related company. The income received were transacted in the normal course of business on the same terms, as those charged to and contracted with other third party customers.
- vi) The marketing fees were based on pre-agreed rates with reference to the volume of purchase of goods from the Group.
- vii) Tongai Pharmaceutical leased office premises to the Company. The rental of office and factory premises was charged at pre-agreed rates with reference to market rates. The rental of approximately RMB134,000 (30 June 2014: RMB134,000) attributable to the Reporting Period was waived by Tongai Pharmaceutical.
- viii) The interest was arisen from the interest-bearing financial assistance from the immediate parent company and charged at 20% above 1-year benchmark lending rate issued by the People's Bank of China and the interest rate is adjusted yearly. Details are disclosed in note 13(ii).
- ix) The ultimate parent company of this related party is also the ultimate parent company of the Group. On 25 December 2014, the equity interest of this related party was transferred to independent third parties and ceased to be a fellow subsidiary of the Group.

Independent non-executive Directors of the Company have reviewed the continuing connected transactions set out above and have confirmed that these continuing connected transactions were entered into (1) in the ordinary and usual course of business of the Group; (2) on normal commercial terms; and (3) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditors, Crowe Horwath (HK) CPA Limited, have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions of the Group for the year 2014 in accordance with Rule 20.54 of the GEM Listing Rules. A copy of the auditors' letter has been provided by the Company to the Stock Exchange.

(b) Outstanding balances with related parties

	Note	Amounts owed by related parties		Amounts owed to related parties	
		as at 30 June 2015 RMB'000	as at 31 December 2014 RMB'000	as at 30 June 2015 RMB'000	as at 31 December 2014 RMB'000
Entrusted loan from the immediate parent company	(i)	-	-	9,000	9,000
Amount due from/to the immediate parent company		2,070	2,070	1,070	1,159
Financial assistance from the immediate parent company	13(ii)	-	-	64,000	63,000
Amount due from intermediate parent company		216	-	-	-
Amount due from/to fellow subsidiaries:					
Neptunus Pharmaceutical		-	-	28,547	15,674
Neptunus Jiankang		-	-	1,018	3,045
Shandong Neptunus Yinhe Pharmaceutical Company Limited		369	128	-	-
Henan Dongsun Pharmaceutical Co., Ltd.		208	12	-	-
Hangzhou Neptunus Bio-engineering Company Limited		-	60	849	730
Anhui Neptunus Yinhe Pharmaceutical Company Limited		34	-	-	-
Jiamusi Neptunus Pharmaceutical Company Limited		1,106	-	-	-
Jiangsu Neptunus Yinhe Pharmaceutical Co., Ltd.		31	-	-	-
Zaozhuang Yinhe Pharmaceutical Co., Ltd.		142	-	-	-
Henan Neptunus Yinhe Pharmaceutical Company Limited		-	-	8	-
		1,890	200	30,422	19,449
Amounts due from related companies:					
Shenzhen Nepstar Pharmaceutical Co., Ltd.		3,423	6,168	-	-
Hangzhou Nepstar Health Pharmacy Company Limited		26	84	-	-
		3,449	6,252	-	-
		7,625	8,522	104,492	92,608

Apart from the entrusted loan and financial assistance from the immediate parent company, the balances with these related companies are unsecured, interest-free and repayable on demand.

- i) On 13 December 2007, the Group obtained a RMB9,000,000 interest-bearing entrusted loan from Neptunus Bio-engineering. The entrusted loan was unsecured, bore interest at 5% per annum and repayable on 5 April 2009.

On 2 December 2008, the immediate parent company agreed to extend the repayment date of the entrusted loan for at least one year to 5 April 2010.

On 18 March 2010, the immediate parent company agreed to further extend the repayment dates of the entrusted loans to 5 April 2011.

On 5 April 2011, the immediate parent company further agreed to extend the repayment date of entrusted loan in the amount of RMB9,000,000 as Neptunus Bio-engineering had undertaken to the Company that it would not demand repayment of the above-mentioned shareholder's entrusted loan unless and until: (1) the repayment of such shareholder's entrusted loan would not adversely affect the operations of the Company and/or its business objectives as set out in the prospectus published by the Company on 29 August 2005 (the "Prospectus"); and (2) each of the independent non-executive directors was of the opinion that the repayment of such shareholder's entrusted loan would not adversely affect the operations of the Company and/or the implementation of its business objectives as set out in the Prospectus, and the Company would make an announcement in respect of the decision of the independent non-executive directors made under (2); and (3) the Company had a positive cash flow and had retained profits in the relevant financial year.

The interest of RMB225,000 (30 June 2014: RMB225,000) attributable to the entrusted loan in the amount of RMB9,000,000 was waived by Neptunus Bio-engineering.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the Reporting Period, the Group was principally engaged in the development, production and sales of medicines, the research and development (“R&D”) of modern biological technology, the purchase and sales of medicines and healthcare food products, and the R&D as well as the industrialization of in-vitro diagnostic reagents (the “IVD Reagents”).

Manufacturing and Selling of Medicines

During the Reporting Period, affected by the expiry of the last round of drugs tender and the delay in the new round of drugs tender in Fujian, competitors’ products that did not win the bidding in the last round of drugs tender could be sold in the idle period between the two rounds of tender, which led to the decrease in sales volume of some products of the Group. It is expected that there is still a certain time for the new round of drugs tender in Fujian to be completed, therefore the effect from it will continue in the third quarter of this year. Besides, affected by the state’s tighter sale channel on the narcotic drugs, sales volume of Compound Liquorice Tablets (複方甘草片) decreased significantly during the Reporting Period as compared with the corresponding period last year. The Group will strengthen the promotion on such product in the second half of the year.

Work relating to the marketing, tender and bidding of Tegafur, Gimeracil and Oteracil Potassium Tablets (替吉奧片) (the “TGOP Tablets”), an anti-tumor new drug, was performed. As most of the biddings in some provinces were later than as expected, the sales of TGOP Tablets during the Reporting Period did not have significant growth. At present, TGOP Tablets have a large market capacity and also have a growth trend, as such the Group will increase the marketing of the TGOP Tablets, so that the TGOP Tablets would bring a positive effect to the Group’s revenue and profitability as soon as possible.

Due to the above reasons, revenue from manufacturing and selling of medicines decreased by approximately 11.5% during the Reporting Period, as compared with the corresponding period last year.

The land use rights of two pieces of lands which are situated in Lianjiang County, Fuzhou, the PRC, have been delivered to the Group’s subsidiaries during the first quarter of this year, and therefore related construction of the new production base in Lianjiang (the “Lianjiang Production Base”) which situated on the two pieces of lands was commenced, and is now at the initial construction stage.

Purchase and Sales of Medicines and Healthcare Food Products

During the Reporting Period, the purchase and sales of medicines and healthcare food business continued to maintain its growth. According to the products and market characteristics, the sale focus of OTC products which the Group distributed was on the large and medium-sized pharmacy chains, while the sale strategy for the prescribed drugs was to cooperate with the national professional sales promotion company which led to a significant increase in marketing expenses. Besides, since the supplier of Ginkgo Leaves Products (銀杏葉產品), the major type of product distributed, was affected by the pharmaceutical ingredients, the production and supply of Ginkgo Leaves Products from such supplier were suspended since the end of May 2015, which brought a negative effect to the growth of sales volume of the Group. At present, the Group is taking measure to reduce the effect of such incident to the Group’s revenue in general, and it is expected that the purchase and sales of Ginkgo Leaves Products can be resumed in the third quarter of this year.

At present, the total domestic retail sale of medicines maintained its growth. At the same time, the number and type of drugs distributed by the Group increased. Combined with a flexible sale policy and an optimized sales team, the development of the purchase and sales of medicines and healthcare food business was positive.

Recombinant Proteins and Polypeptide Drugs Business

At present, the Group is conducting clinical trial on recombinant human thymosin α 1 for injection and the application for technology transfer of recombinant human interleukin-2 (125Ser) for injection. Clinical trial on recombinant human thymosin α 1 for injection is underway according to the plan. Phase II clinical trial started in the first quarter of 2013. At present, the enrollment of patients and detection and statistics of blood serums of subjects have been completed for many times, the results of which preliminarily demonstrated that the safety of using recombinant human thymosin α 1 for injection is considered satisfactory, whereas its long-term curative effects will be subject to subsequent test results. The registration and application of the technology transfer of recombinant human interleukin-2 (125Ser) for injection had also been performed in accordance with the relevant laws. In June 2015, the drugs supervision department issued "Supplemental Information Notice" on recombinant human interleukin-2 (125Ser) for injection. Now the Group is actively supplementing relevant information according to the requirement of the notice. Due to the promotion of the R&D work, the Group continued to increase its investment in the R&D field, which has a negative effect to the earnings of the Group this year.

IVD Reagents Business

In 2014, a subsidiary of the Company and an independent third party (the "Partner") entered into a cooperation agreement to establish a joint venture company. The joint venture company utilizes 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 the R&D of IVD Reagents and achieve industrialization. During the Reporting Period, R&D on IVD Reagents and industrialization work were conducted as planned. Among which, the registration of two types of diagnostic test strips of C-reactive protein ("CRP") for medical use and the medical diagnostic quantitative devices had been applied, which is now under reviewing stage. In respect of the R&D on the subsequent products, the Group is conducting marketing research and technology possibility analysis, and selecting the products which can undergo R&D. At present, R&D work on subsequent products has commenced.

FINANCIAL REVIEW

The Group's revenue for the Reporting Period was approximately RMB329,850,000 (2014: RMB316,269,000), representing a slight increase of approximately 4.3% as compared with the corresponding period last year. For the revenue, approximately RMB228,435,000 was derived from manufacturing and selling of medicines, while approximately RMB101,394,000 was derived from the purchase and sales of medicines and healthcare food products. During the Reporting Period, affected by the tender delay in Fujian and the state's strengthened narcotic drugs control, revenue from manufacturing and selling of medicines decreased by approximately 11.5%. At the same time, since the number and types of drugs distributed by the Group had increased, revenue from the purchase and sales of medicines increased accordingly. Therefore, the Group's revenue in general increased slightly.

During the Reporting Period, the Group's gross profit was approximately RMB149,032,000 (2014: RMB139,188,000), representing an increase of approximately 7.1% as compared with the corresponding period last year. The increase in gross profit was mainly attributable to the increase in revenue and gross profit margin of the Group.

During the Reporting Period, the Group's gross profit margin was approximately 45% (2014: 44%), representing a slight increase of approximately 1% as compared with the corresponding period last year. The increase in gross profit margin was mainly due to the new drugs distributed by the Group having higher gross profit margin.

During the Reporting Period, the Group's selling and distribution expenses were approximately RMB71,982,000 (2014: RMB48,856,000), representing an increase of approximately 47.3% as compared with the corresponding period last year. The significant increase in selling and distribution expenses was mainly due to the fact that (i) new prescribed drugs distributed by the Group had higher marketing expenses; and (ii) new sale personnel were recruited which led to the corresponding increase in salaries and wages expenses.

During the Reporting Period, the Group's administrative expenses were approximately RMB29,321,000 (2014: RMB26,507,000), representing an increase of approximately 10.6%. The increase in administrative expenses was mainly due to (i) the application for the transfer of listing from GEM to the Main Board dated 16 February 2015, which led to the corresponding increase in listing expenses and advisor fees; and (ii) the management department of the Company and a subsidiary moved to the new office building during the Reporting Period. Therefore, rental fees increased correspondingly.

During the Reporting Period, the Group's other operating expenses were approximately RMB23,371,000 (2014: RMB21,988,000), representing an increase of approximately 6.3% as compared with the corresponding period last year. The increase in other operating expenses was mainly due to the increase investment in R&D.

During the Reporting Period, the Group's finance costs were approximately RMB5,534,000 (2014: RMB5,268,000), representing an increase of approximately 5% as compared with the corresponding period last year. The increase in finance costs was mainly due to the increase in the average loan's principal during the Reporting Period, as compared with the corresponding period last year.

Due to the above reasons, the Group's profit after tax decreased from approximately RMB31,247,000 of the corresponding period last year, to approximately RMB18,614,000 of the Reporting Period. Profit attributable to the owners of the Company decreased from approximately RMB24,139,000 of the corresponding period last year, to approximately RMB13,944,000 of the Reporting Period.

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.

Banking Facilities

As at 30 June 2015, the Group's short-term bank borrowings amounted to RMB100,000,000.

On 21 January 2015 and 23 January 2015, Fuzhou Neptunus Fuyao Pharmaceutical Company Limited ("Neptunus Fuyao"), a subsidiary of the Company, was granted two short-term loans of RMB50,000,000 and RMB50,000,000 from the Sanshan Subbranch (Fuzhou) of Fujian Haixia Bank, by pledging its land use rights and buildings. These two loans will be repaid on 21 July 2015 and 23 July 2015 respectively and are bearing an annual interest rate of 5.60%.

Shareholder's Interest-bearing Financial Assistance

As at 30 June 2015, the shareholder's interest-bearing financial assistance obtained by the Company from Neptunus Bio-engineering amounted to approximately RMB23,000,000, which was unsecured and bearing an annual interest rate of 6.72%. The Company had 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 30 June 2015, the shareholder's interest-bearing financial assistance obtained by Neptunus Fuyao from Neptunus Bio-engineering amounted to approximately RMB40,000,000, which was unsecured and bearing an annual interest rate of 6.72%. Such fund was used in the upgrade and enhancement of Neptunus Fuyao's certain production lines.

As at 30 June 2015, the shareholder's interest-bearing financial assistance obtained by Jiangsu Neptunus Bio-pharmaceutical Company Limited, a subsidiary of the Company, from Neptunus Bio-engineering, amounted to approximately RMB1,000,000, which was unsecured and bearing an annual interest rate of 6.72%.

Shareholder's Entrusted Loan

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.

CONTINGENT LIABILITIES

As at 30 June 2015, the Group had no significant contingent liabilities.

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

As far as the Directors or supervisors of the Company are aware, as at 30 June 2015, the interests and short positions of the Directors, supervisors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO (including interests or short positions 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 and were recorded in the register to be kept by the Company, or were required, pursuant to Rule 5.46 to Rule 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange 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%
Mr. Song Ting Jiu (Note 3)	Beneficial owner	Personal	1,521,500	0.12%	0.09%

Notes:

- 1 Executive Director and general manager of the Company
- 2 Supervisor and employee of the Company
- 3 Non-executive Director of the Company

Long positions in shares of associated corporations of the Company:

Director	Capacity	Type of Interests	Name of associated corporation	Number of shares held in associated corporation	Approximate percentage of the associated corporation's issued share capital
Mr. Zhang Feng (Note (a))	Beneficial owner	Personal	Neptunus Bio-engineering	532,437	0.07%
Mr. Liu Zhan Jun (Note (b))	Beneficial owner	Personal	Neptunus Bio-engineering	3,446,217	0.45%
Ms. Yu Lin (Note (c))	Beneficial owner	Personal	Neptunus Bio-engineering	1,079,864	0.14%
Mr. Song Ting Jiu (Note (d))	Beneficial owner	Personal	Neptunus Bio-engineering	1,000,000	0.13%

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 0.45% 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.
- (c) Ms. Yu Lin, director and vice-president of Neptunus Bio-engineering, was beneficially interested in approximately 0.14% 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.
- (d) Mr. Song Ting Jiu, vice-president of Neptunus Bio-engineering, was beneficially interested in approximately 0.13% of the entire issued share capital of Neptunus Bio-engineering, the Company's controlling shareholder, which in turn held directly and indirectly the beneficial interest in approximately 71.67% of the entire issued share capital of the Company, of which 70.38% was directly held and 1.29% was indirectly held through Neptunus Oriental.

Save as disclosed above, as at 30 June 2015, 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), which were required to be notified to the Company and the Stock Exchange pursuant to Part XV of SFO, or were required, pursuant to section 352 of the SFO to be and were recorded in the register to be kept by the Company, or were required, pursuant to Rule 5.46 to Rule 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

SHARE OPTION SCHEME, CONVERTIBLE SECURITIES AND WARRANTS

Up to 30 June 2015, the Company and its subsidiaries have not adopted any share option scheme and have not granted any option, convertible securities, warrants or other similar rights.

DIRECTORS' AND SUPERVISORS' SHARE OPTIONS, WARRANTS OR CONVERTIBLE BONDS

At any time during the Reporting Period, none of the Directors or supervisors of the Company or their respective spouse or minor children were granted any share options, warrants or convertible bonds of the Company, its subsidiaries or associated corporation.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

So far as the Directors and supervisors of the Company are aware, as at 30 June 2015, 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 recorded in the register required to be kept by the Company 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 the domestic shares	Approximate percentage of the Company's issued share capital
Neptunus Bio-engineering (<i>Note (a)</i>)	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") (<i>Note (b)</i>)	Interest in controlled corporation	1,202,650,000	96.06%	71.67%
Shenzhen Yinhetong Investment Company Limited ("Yinhetong") (<i>Note (c)</i>)	Interest in controlled corporation	1,202,650,000	96.06%	71.67%
Mr. Zhang Si Min (<i>Note (d)</i>)	Interest in controlled corporation	1,202,650,000	96.06%	71.67%
Ms. Wang Jin Song (<i>Note (e)</i>)	Interest of spouse	1,202,650,000	96.06%	71.67%
Bank of Hangzhou Co., Ltd., Shenzhen Branch ("Bank of Hangzhou") (<i>Note (f)</i>)	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 23.98% 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 23.98% 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 23.98% 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, as such domestic shares have been pledged 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 by the Company pursuant to section 336 of the SFO as at 30 June 2015.

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

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

COMPETING INTERESTS

On 21 August 2005, Neptunus Bio-engineering, the controlling shareholder of the Company, entered into an agreement with the Company, in relation to non-competition undertakings and priority investment rights (the "Non-Competition Undertakings"), pursuant to which Neptunus Bio-engineering had undertaken to the Company and its associates that, inter alia, as long as the securities of the Company are listed on GEM:

1. it will not, and will procure its associates not to whether within or outside the PRC, directly or indirectly or by any means, participate in or operate any business which may constitute direct or indirect competition with the business operated by the Company from time to time, or produce any products, the usage of which is the same as or similar to that of the products of the Company (other than those indirectly held as a result of the equity interest in any listed company or its subsidiaries); and
2. it will not, and will procure its associates not to hold any interest, whether within or outside the PRC, in any company or organization (directly or indirectly, other than indirectly held as a result of its equity interest in any listed company or its subsidiaries) when the business of such company or organisation will (or may) compete directly or indirectly with the business of the Company.

Pursuant to the Non-Competition Undertakings, during the term of such Undertakings, when Neptunus Bio-engineering or its associates enter into any negotiations, within or outside the PRC, in relation to any new investment project which may compete with the existing and future business of the Company, the Company shall have a preferential right of investment in such investment projects.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

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

AUDIT COMMITTEE

The Company established an Audit Committee (the “Audit Committee”) on 21 August 2005. The primary duties of the Audit Committee are to review the Company’s annual report and financial statements, half-yearly reports and quarterly reports, and to provide suggestions and opinions thereon to the Board. In addition, the Audit Committee members will also meet with the management to review the accounting principles and practices adopted by the Company and to discuss matters relating to the auditing, internal control system and financial reporting process of the Company. The Audit Committee comprises one non-executive Director of the Company, namely Ms. Yu Lin and two independent non-executive Directors, namely Mr. Yick Wing Fat, Simon and Mr. Poon Ka Yeung. Mr. Yick Wing Fat, Simon is the chairman of the Audit Committee.

The Audit Committee has reviewed the unaudited condensed results of the Group for the Reporting Period.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

As the Directors are aware, during the Reporting Period, the Company has complied with the requirements under the “Corporate Governance Code and Corporate Governance Report” set out in Appendix 15 of the GEM Listing Rules. The Board will continue to enhance the standard of corporate governance of the Company to ensure that the Company will operate its business in an honourable and responsible manner.

On behalf of the Board
Shenzhen Neptunus Interlong Bio-technique Company Limited*
Zhang Feng
Chairman

Shenzhen, the PRC, 11 August 2015

As at the date of this report, the executive Directors are Mr. Zhang Feng, Mr. Chai Xiang Dong and Mr. Xu Yan He; the non-executive Directors are Mr. Liu Zhan Jun, Ms. Yu Lin and Mr. Song Ting Jiu; and the independent non-executive Directors are Mr. Yick Wing Fat, Simon, Mr. Poon Ka Yeung and Mr. Yu Bo.

* For identification purpose only