



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

Third Quarterly Report



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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.

QUARTERLY RESULTS (UNAUDITED)

The board of Directors (the "Board") of the Company is pleased to present the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively the "Group") for the nine months ended 30 September 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 nine months ended 30 September 2015

	Note	For the three months ended 30 September		For the nine months ended 30 September	
		2015 (Unaudited) RMB'000	2014 (Unaudited) RMB'000	2015 (Unaudited) RMB'000	2014 (Unaudited) RMB'000
Revenue	3	163,875	162,077	493,725	478,346
Cost of sales		(81,373)	(100,079)	(262,191)	(277,160)
Gross profit		82,502	61,998	231,534	201,186
Other revenue	3	827	9,021	7,011	13,443
Other net income	3	326	–	1,480	64
Selling and distribution expenses		(48,544)	(25,650)	(120,526)	(74,506)
Administrative expenses		(14,056)	(13,535)	(43,377)	(40,042)
Other operating expenses		(10,054)	(14,727)	(33,425)	(36,715)
Profit from operations		11,001	17,107	42,697	63,430
Finance costs	5	(2,381)	(2,875)	(7,915)	(8,143)
Profit before taxation	4	8,620	14,232	34,782	55,287
Income tax	6	(2,436)	(3,545)	(9,984)	(13,353)
Profit for the period		6,184	10,687	24,798	41,934
Attributable to:					
Owners of the Company		3,496	7,924	17,440	32,063
Non-controlling interests		2,688	2,763	7,358	9,871
Profit for the period		6,184	10,687	24,798	41,934
Earnings per share					
Basic and diluted	8	RMB0.21 cents	RMB0.47 cents	RMB1.04 cents	RMB1.91 cents

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

for the three months and nine months ended 30 September 2015

	For the three months ended 30 September		For the nine months ended 30 September	
	2015 (Unaudited) RMB'000	2014 (Unaudited) RMB'000	2015 (Unaudited) RMB'000	2014 (Unaudited) RMB'000
Profit for the period	6,184	10,687	24,798	41,934
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	6,184	10,687	24,798	41,934
Total comprehensive income attributable to:				
Owners of the Company	3,496	7,924	17,440	32,063
Non-controlling interests	2,688	2,763	7,358	9,871
Total comprehensive income for the period	6,184	10,687	24,798	41,934

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

for the nine months ended 30 September 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	-	-	-	-	32,063	32,063	9,871	41,934
Other comprehensive income for the period, net of tax	-	-	-	-	-	-	-	-
Total comprehensive income for the period, net of tax	-	-	-	-	32,063	32,063	9,871	41,934
Dividend paid from subsidiary to non-controlling interests	-	-	-	-	-	-	(5,000)	(5,000)
Transfer to other reserves	-	-	-	350	(350)	-	-	-
At 30 September 2014	<u>167,800</u>	<u>554,844</u>	<u>(194,487)</u>	<u>23,066</u>	<u>(42,482)</u>	<u>508,741</u>	<u>88,797</u>	<u>597,538</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	-	-	-	-	17,440	17,440	7,358	24,798
Other comprehensive income for the period, net of tax	-	-	-	-	-	-	-	-
Total comprehensive income for the period, net of tax	-	-	-	-	17,440	17,440	7,358	24,798
Non-controlling interests dividend	-	-	-	-	-	-	(5,600)	(5,600)
Transfer to other reserves	-	-	-	1,423	(1,423)	-	-	-
At 30 September 2015	<u>167,800</u>	<u>554,844</u>	<u>(194,487)</u>	<u>31,667</u>	<u>(32,532)</u>	<u>527,292</u>	<u>91,957</u>	<u>619,249</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED 30 SEPTEMBER 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 nine months ended 30 September 2015 have been prepared in accordance with Hong Kong Financial Reporting Standards (the "HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and applicable disclosure requirements of the GEM Listing Rules.

The accounting policies adopted in the preparation of these unaudited condensed consolidated financial statements are consistent with those adopted for the preparation of annual financial statements for the year ended 31 December 2014 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 2015. These unaudited 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 Group's financial statements for the year ended 31 December 2014.

The HKICPA has issued a number of new and revised HKFRSs and Interpretations that are first effective or available for early adoption for the current accounting period of the Company. There have been no significant changes to the accounting policy applied in these financial statements for the periods as a result of the developments.

This unaudited condensed consolidated financial information for the 9 months ended 30 September 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 quarterly results are unaudited.

3. 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 September		For the nine months ended 30 September	
	2015 (Unaudited) RMB'000	2014 (Unaudited) RMB'000	2015 (Unaudited) RMB'000	2014 (Unaudited) RMB'000
Revenue				
Sale of medicines	111,162	134,644	339,597	392,805
Sales and distribution of medicines and healthcare products	52,695	27,419	154,089	85,475
R&D services income	18	14	39	66
	163,875	162,077	493,725	478,346
Other revenue				
Interest income from bank deposits	656	1,352	2,999	2,877
Government subsidy income	139	7,627	2,127	10,496
Compensation from government	–	–	832	–
Other	32	42	1,053	70
	827	9,021	7,011	13,443
Other net income				
Gain on physical counting	323	–	323	–
Exchange gain	3	–	3	–
Reversal of impairment on trade receivables	–	–	88	12
Reversal of impairment on other receivables	–	–	222	5
Reversal of write down of inventories	–	–	844	47
	326	–	1,480	64

4. PROFIT BEFORE TAXATION

	For the three months ended 30 September		For the nine months ended 30 September	
	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	18,728	18,007	57,612	53,130
Contributions to defined contribution retirement plan	3,837	3,486	12,055	10,916
	22,565	21,493	69,667	64,046
(b) Other Item				
Cost of inventories	83,694	100,178	258,951	276,008
Amortisation				
– prepaid lease payments	393	393	1,178	1,178
– Intangible assets *	1,038	1,039	3,116	3,121
Depreciation	4,679	4,582	14,186	14,226
R&D costs *	8,460	12,887	27,431	29,408
Impairment on trade receivables *	–	4	3	173
Impairment on other receivables *	–	–	194	113
Loss on disposal of property, plant and equipment *	18	110	118	380
Write down of inventory *	41	351	1,990	3,123
Auditor's remuneration				
– other services	330	279	750	539

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

5. FINANCE COSTS

	For the three months ended 30 September		For the nine months ended 30 September	
	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	1,277	1,818	4,716	4,893
Interest on financial assistance from the immediate parent company	1,104	1,057	3,199	3,250
Total interest expense on financial liabilities not at fair value through profit or loss	2,381	2,875	7,915	8,143

6. INCOME TAX

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

	For the three months ended 30 September		For the nine months ended 30 September	
	2015 (Unaudited) RMB'000	2014 (Unaudited) RMB'000	2015 (Unaudited) RMB'000	2014 (Unaudited) RMB'000
Current tax				
Provision for PRC Enterprise Income Tax	2,694	3,821	11,015	14,126
Deferred tax				
Origination and reversal of temporary differences	(258)	(276)	(1,031)	(773)
	2,436	3,545	9,984	13,353

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 September 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 September 2014: 25%).

7. DIVIDENDS

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

8. EARNINGS PER SHARE

Basic earnings per share

For the three-month and nine-month periods ended 30 September 2015, the calculation of basic earnings per share was based on the profit attributable to owners of the Company of approximately RMB3,496,000 and RMB17,440,000 respectively (three-month and nine-month periods ended 30 September 2014: profit of approximately RMB7,924,000 and RMB32,063,000 respectively) and the weighted average number of 1,678,000,000 ordinary shares in issue for the three-month and nine-month periods ended 30 September 2015 (2014: 1,678,000,000 ordinary shares).

Diluted earnings per share

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

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

Due to the expiry of the last round of drugs tender and the extension 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 decrease in sales volume of some products of the Group. Since such effect it continued in the third quarter of this year, the sales of the Group was still adversely affected. 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 is strengthening the promotion on such product in order to mitigate the decrease in sales volume.

The marketing, tender and bidding of Tegafur, Gimeracil and Oteracil Potassium Tablets (替吉奧片) (the “TGOP Tablets”), an anti-tumor new drug, has been carried out. As the biddings in most of the provinces were later than 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, and strive to bring a positive impact 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 13.5% 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 over the counter 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 national professional sales promotion company, resulting a significant increase in marketing expenses. Besides, due to problem with the pharmaceutical ingredients of Ginkgo Leaves Products (銀杏葉產品), the major type of product distributed by the Group, 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. Ginkgo Leaves products resumed normal supply at the end of the third quarter of the year. The Group is taking measure to gradually resume the sales and market share of Ginkgo Leaves Products.

At present, the total domestic retail sale of medicines maintains its growth. At the same time, the number and type of drugs distributed by the Group increase. Together with a flexible sale policy and an optimized sales team, the development of the purchase and sales of medicines and healthcare food business is positive. In addition, selling expenses also increase sharply due to increasingly fiercer competition.

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 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. With promotion of the R&D project, the cost of R&D of the Group keeps increasing. Therefore, the Group is considering a more effective way for the investment in R&D in order to minimize the impact to the earnings.

Due to the slow development of the Company in the field of bio-agriculture, the Company stopped the operation in such field in the third quarter of 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. As the IVD Reagents business is a business newly developed by the Company, the progress of preliminary work has prolonged than expected, and the investment has increased than expected as well.

FINANCIAL REVIEW

The Group's revenue for the Reporting Period was approximately RMB493,725,000 (2014: RMB478,346,000), representing a slight increase of approximately 3.2% as compared with the corresponding period last year. For the revenue, approximately RMB339,597,000 was derived from manufacturing and selling of medicines, while approximately RMB154,089,000 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 13.5%. 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 RMB231,534,000 (2014: RMB201,186,000), representing an increase of approximately 15.1% 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 47% (2014: 42%), representing a slight increase of approximately 5% 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 RMB120,526,000 (2014: RMB74,506,000), representing an increase of approximately 61.8% 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 RMB43,377,000 (2014: RMB40,042,000), representing an increase of approximately 8.3%. 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 RMB33,425,000 (2014: RMB36,715,000), representing a decrease of approximately 9% as compared with the corresponding period last year. The slight decrease in other operating expenses was mainly due to the minor decrease in R&D investment .

During the Reporting Period, the Group's finance costs were approximately RMB7,915,000 (2014: RMB8,143,000), representing a decrease of approximately 2.8% as compared with the corresponding period last year.

Due to the above reasons, the Group's profit after tax decreased from approximately RMB41,934,000 of the corresponding period last year, to approximately RMB24,798,000 of the Reporting Period. Profit attributable to the owners of the Company decreased from approximately RMB32,063,000 of the corresponding period last year, to approximately RMB17,440,000 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 September 2015, the Group's short-term bank borrowings amounted to RMB110,000,000.

On 24 July 2015, Fuzhou Neptunus Fuyao Pharmaceutical Company Limited ("Neptunus Fuyao"), a subsidiary of the Company, was granted a short-term loan of RMB100,000,000 from the Sanshan Subbranch (Fuzhou) of Fujian Haixia Bank, by pledging its land use rights and buildings. This loan will be repaid on 24 July 2016 and is bearing an annual interest rate of 4.85%.

On 23 September 2015, Jiangsu Neptunus Bio-pharmaceutical Company Limited ("Jiangsu Neptunus"), a subsidiary of the Company was granted a small business liquidity loan of RMB 10,000,000 from Taizhou Branch of Bank of Communications Co., Ltd. This loan will be repaid on 19 July 2016 and is bearing an annual interest rate of 5.52%. The guarantee for this loan was provided by an independent third party guarantee company and the Company provided a counter-guarantee to the independent third party guarantee company.

Shareholder's Interest-bearing Financial Assistance

As at 30 September 2015, the shareholder's interest-bearing financial assistance obtained by the Company from Shenzhen Neptunus Bio-engineering Co., Ltd. ("Neptunus Bio-engineering") amounted to approximately RMB23,000,000, which was unsecured and bearing an annual interest rate at 120% of the benchmark lending rate which was issued by the People's Bank of China for the corresponding period. 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 September 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 at 120% of the benchmark lending rate which was issued by the People's Bank of China for the corresponding period. Such fund was used in the upgrade and enhancement of Neptunus Fuyao's certain production lines.

As at 30 September 2015, the shareholder's interest-bearing financial assistance obtained by Jiangsu Neptunus from Neptunus Bio-engineering, amounted to approximately RMB1,130,000, which was unsecured and bearing an annual interest rate at 120% of the benchmark lending rate which was issued by the People's Bank of China for the corresponding period.

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 September 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 September 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	3,553,517	0.47%
Ms. Yu Lin (Note (c))	Beneficial owner	Personal	Neptunus Bio-engineering	1,089,864	0.14%
Mr. Song Ting Jiu (Note (d))	Beneficial owner	Personal	Neptunus Bio-engineering	1,010,000	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 0.47% 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 September 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 September 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 September 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 September 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 November 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