



# 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



## 2016

First Quarterly Report



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

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

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

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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 consolidated results of the Company and its subsidiaries (collectively the "Group") for the three months ended 31 March 2016 (the "Quarter"), together with the unaudited comparative figures for the corresponding period of 2015.

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (UNAUDITED)

For the three months ended 31 March 2016

	Note	For the three months ended 31 March (Unaudited)	
		2016 RMB'000	2015 RMB'000
<b>REVENUE</b>	3	<b>142,213</b>	150,879
<b>COST OF SALES</b>		<b>(72,063)</b>	(83,725)
<b>GROSS PROFIT</b>		<b>70,150</b>	67,154
<b>OTHER REVENUE</b>	3	<b>3,004</b>	2,551
<b>OTHER NET INCOME</b>	3	<b>201</b>	976
Selling and distribution expenses		<b>(34,611)</b>	(22,888)
Administrative expenses		<b>(14,393)</b>	(14,346)
Other operating expenses		<b>(7,981)</b>	(12,411)
<b>PROFIT FROM OPERATIONS</b>		<b>16,370</b>	21,036
Finance costs	5	<b>(1,282)</b>	(2,709)
<b>PROFIT BEFORE TAXATION</b>	4	<b>15,088</b>	18,327
Income tax	6	<b>(3,255)</b>	(4,859)
<b>PROFIT FOR THE PERIOD</b>		<b>11,833</b>	13,468
<b>Attributable to:</b>			
Owners of the Company		<b>10,034</b>	10,961
Non-controlling interests		<b>1,799</b>	2,507
<b>Earnings per share</b>			
Basic and diluted	8	<b>RMB0.60 cents</b>	RMB0.65 cents

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

For the three months ended 31 March 2016

	For the three months ended 31 March (Unaudited)	
	2016 RMB'000	2015 RMB'000
Profit for the period	11,833	13,468
<b>TOTAL OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>	–	–
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>11,833</b>	<b>13,468</b>
<b>Attributable to:</b>		
Owners of the Company	10,034	10,961
Non-controlling interests	1,799	2,507
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>11,833</b>	<b>13,468</b>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the three months ended 31 March 2016

	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 losses RMB'000			
At 1 January 2015	167,800	554,844	(194,487)	30,244	(48,549)	509,852	90,199	600,051
<b>Change in equity for 2015</b>								
Profit for the period	-	-	-	-	10,961	10,961	2,507	13,468
Other comprehensive income for the period, net of tax	-	-	-	-	-	-	-	-
<b>Total comprehensive income for the period, net of tax</b>	-	-	-	-	10,961	10,961	2,507	13,468
At 31 March 2015	<u>167,800</u>	<u>554,844</u>	<u>(194,487)</u>	<u>30,244</u>	<u>(37,588)</u>	<u>520,813</u>	<u>92,706</u>	<u>613,519</u>
At 1 January 2016	167,800	554,844	(188,494)	38,481	(35,731)	536,900	95,022	631,922
<b>Change in equity for 2016</b>								
Profit for the period	-	-	-	-	10,034	10,034	1,799	11,833
Other comprehensive income for the period, net of tax	-	-	-	-	-	-	-	-
<b>Total comprehensive income for the period, net of tax</b>	-	-	-	-	10,034	10,034	1,799	11,833
At 31 March 2016	<u>167,800</u>	<u>554,844</u>	<u>(188,494)</u>	<u>38,481</u>	<u>(25,697)</u>	<u>546,934</u>	<u>96,821</u>	<u>643,755</u>

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the three months ended 31 March 2016*

### **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 three months ended 31 March 2016 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 2015 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 2016. 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 2015.

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 condensed consolidated financial information for the 3 months ended 31 March 2016 comprise 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"), and it is also the functional currency of the Company. All amounts are rounded to the nearest thousand except where otherwise indicated.

These 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, and net invoiced value of R&D services provided net of VAT. An analysis of revenue and other revenue is as follows:

	<b>For the three months ended 31 March (Unaudited)</b>	
	<b>2016 RMB'000</b>	2015 RMB'000
<b>Revenue</b>		
Sales of medicines	<b>99,085</b>	112,887
Sales and distribution of medicines and healthcare products	<b>42,940</b>	37,987
R&D services income	<b>188</b>	5
	<b>142,213</b>	150,879
<b>Other revenue</b>		
Interest income on bank deposits	<b>530</b>	1,183
Gain on disposal of a subsidiary	<b>1,688</b>	–
Subsidy income		
– amount released from deferred revenue	<b>120</b>	139
– amount directly credited to profit or loss	<b>630</b>	1,200
Others	<b>36</b>	29
	<b>3,004</b>	2,551
<b>Other net income</b>		
Recovery of impairment on trade receivables	<b>98</b>	–
Recovery of impairment on other trade receivables	<b>3</b>	754
Reversal of write down of inventories	<b>100</b>	222
	<b>201</b>	976

#### 4. Profit before taxation

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

	For the three months ended 31 March (Unaudited)	
	2016 RMB'000	2015 RMB'000
Salaries, wages and other benefits (including directors' emoluments)	17,124	19,587
Contributions to defined contribution retirement plan	4,026	3,869
Cost of inventories	70,130	83,383
Amortisation of interest in leasehold land held for own use	393	393
Depreciation	4,601	4,556
Amortisation of intangible assets*	1,074	1,039
R&D costs*	5,242	9,169

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

#### 5. Finance costs

	For the three months ended 31 March (Unaudited)	
	2016 RMB'000	2015 RMB'000
Interest on bank loans wholly repayable within five years	1,109	1,688
Interest on financial assistance from the immediate parent company	173	1,021
Total interest expense on financial liabilities not at fair value through profit or loss	1,282	2,709

#### 6. Income tax

Hong Kong profits tax has not been provided for as the Group had no income assessable to Hong Kong profit tax during the Quarter (2015: Nil).

During the Quarter, two subsidiaries of the Group were qualified as high technology enterprises. In accordance with the applicable Enterprise Income Tax Law of the PRC, these subsidiaries are subject to the PRC enterprise income tax (the "EIT") at a preferential rate of 15%. The Company and other subsidiaries for the Quarter are subject to the PRC EIT at a rate of 25%. The PRC EIT of approximately RMB3,255,000 in the condensed consolidated statement of profit or loss includes the provision for PRC EIT and the origination and reversal of temporary differences during the Quarter.

#### 7. Dividends

The Board does not recommend the payment of any dividend for the Quarter (2015: Nil).

#### 8. Earnings per share

During the Quarter, the calculation of basic earnings per share was based on the unaudited profit attributable to owners of the Company of approximately RMB10,034,000 (2015: profit of RMB10,961,000) and 1,678,000,000 ordinary shares in issue for the Quarter (2015: 1,678,000,000 shares).

Diluted earnings per share for the three-month ended 31 March 2016 and 2015 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 Quarter, the Group was principally engaged in the development, production and sales of chemical medicines and herbal medicines, the purchase and sales of medicines and healthcare food products, and the research and development (“R&D”) of drugs.

#### Manufacturing and Selling of Medicines

During the Quarter, production and manufacture of medicines were mainly affected by the tightening of sales channels on narcotic drugs by the state and some products were in the linking period between the two rounds of tender in Fujian, which led to the decrease of the sales volume of some products. At present, the new round of tender in Fujian is near the end and it is expected that the tender result would show a successful bidding rate of the Company’s subsidiaries similar to that of last year. Therefore, starting from the implementation date of the new round of tender, the decrease in sales volume will be reversed. Besides, as for the narcotic drugs, the Group together with other manufacturers are actively communicating with relevant state administrative authorities and adjusting the marketing plans according to national policy, so as to strengthen the promotion on relevant products and mitigate the decrease in sales volume.

For the anti-tumor new drug, Tegafur, Gimeracil and Oteracil Potassium Tablets (替吉奥片) (the “TGOP Tablets”), as the biddings in many provinces took place later than expected, there was no significant growth in the sales of TGOP Tablets during the Quarter. At present, TGOP Tablets have a large market capacity and a growth trend. The Group will still devote to increase the marketing promotion of the TGOP Tablets, expand the regions with successful bidding and strive to bring a positive impact to the Group’s revenue and profitability as soon as possible.

After the land use rights of two pieces of lands which are situated in Lianjiang County, Fuzhou, the PRC, have been delivered to the Group in 2015, the production base of the Group in Lianjiang (the “Lianjiang Production Base”) is now at the initial construction stage. At present, the Group has commenced some preliminary work such as adjusting some design proposals of Lianjiang Production Base.

#### Purchase and Sales of Medicines and Healthcare Food Products

During the Quarter, 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 chain drugstores, while the sale strategy for the prescribed drugs was to continue to cooperate with national professional sales promotion company. Due to the continued growth in domestic retail demand for drugs and as the number and type of drugs distributed by the Group increase, together with a flexible sales policy and an optimized sales team, the development of the purchase and sales of medicines and healthcare food business is positive. Meanwhile, due to the fierce market competition, in order to maintain its competitive strength, the Group is studying, upgrading and supplementing its business model according to the prevailing trend and new characteristics of policies, regions and industry development; and also adopting the business model such as the cooperation with professional companies. There is a relatively larger increase in selling expenses and market promoting fees.

## Recombinant Proteins and Polypeptide Drugs Business

It is expected that more resources will be required for the recombinant proteins and polypeptide drugs business while it will be difficult for such businesses to contribute to the Group's profit in the coming years, hence, in order to concentrate resources on the development of profitable business, on 19 January 2016, the Company (as the vendor) and a purchaser entered into the equity transfer agreement, pursuant to which, the Company has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the entire equity interest in Jiangsu Neptunus Bio-pharmaceutical Company Limited, a direct wholly-owned subsidiary of the Company, at a consideration of RMB57,800,000 (the "Disposal"). The Disposal completed on 29 January 2016. The Group has discontinued the businesses.

## FINANCIAL REVIEW

The Group's revenue for the Quarter was approximately RMB142,213,000 (2015: RMB150,879,000), representing a decrease of approximately 5.7% as compared with the corresponding period of last year. For the revenue, approximately RMB 99,085,000 which amounted to approximately 69.7% of the revenue was derived from manufacturing and selling of medicines, while approximately RMB42,940,000 which amounted to approximately 30.2% of the revenue was derived from the purchase and sales of medicines and healthcare food products. During the Quarter, as some products were in the linking period between the two rounds of tender in Fujian and the tightening of sales channels on narcotic drugs by the state, the revenue from manufacturing and selling of medicines has decreased by approximately 12.2%. Although the revenue of the purchase and sales of medicines and healthcare food products has increased by approximately 13%, it amounted to only a small portion of the total revenue. Hence, the total revenue of the Group has slightly decreased.

During the Quarter, the Group's gross profit was approximately RMB70,150,000 (2015: RMB67,154,000), representing an increase of approximately 4.5% as compared with the corresponding period of last year; while the Group's gross profit margin was approximately 49% (2015: 45%), representing a slight increase of approximately 4% as compared with the corresponding period of last year. The increase in gross profit and gross profit margin was mainly due to the fact that (i) after the implementation of the pharmaceutical circulation "one invoice system" (一票制) in Fujian Province, drug manufacturers can supply medicines directly to the ultimate hospitals, thereby increasing the sales volume and unit prices of some products in the Group's pharmaceutical manufacturing segment (such as small volume injections and tablets); (ii) the revenue of pharmaceutical manufacturing segment amounted to a larger proportion of the Group's revenue; and (iii) affected by the change of tender policy in Fujian Province, the sales structure of the Group's pharmaceutical manufacturing segment has changed, there was a relative decline in sales volume of products with lower gross profit margin during the Quarter and there was a relative increase in sales volume of products with higher gross profit margin during the Quarter. Therefore gross profit and gross profit margin of the Group increased slightly.

During the Quarter, the Group's selling and distribution expenses were approximately RMB34,611,000 (2015: RMB22,888,000), representing an increase of approximately 51.2% as compared with the corresponding period of last year. The significant increase in selling and distribution expenses was mainly due to (i) increase in sales volume of the purchase and sales of medicines and healthcare food products; (ii) the fact that the new prescribed drugs distributed by the Group had higher marketing expenses at the initial marketing promotion stage and (iii) the fact that sales of prescribed drugs is a new business model to the Group as compared with our previous agency products, and that they have a higher sales costs than that of the original products.

During the Quarter, the Group's administrative expenses were approximately RMB 14,393,000 (2015: RMB14,346,000), maintaining at a similar level as with the corresponding period of last year.

During the Quarter, the Group's other operating expenses amounted to approximately RMB7,981,000 (2015: RMB12,411,000), representing a significant decrease of approximately 35.7% as compared with the corresponding period of last year. The decrease in other operating expenses was mainly due to the significant decrease in R&D expenses as a result of the disposal of two R&D subsidiaries of the Company (one of which was disposed in the fourth quarter of 2015 and another was disposed at the beginning of 2016).

During the Quarter, the Group's financial cost amounted to approximately RMB1,282,000 (2015: RMB2,709,000), representing a significant decrease of approximately 33%. The Group has repaid all shareholder's interest-bearing financial assistance in January 2016 and has repaid some of principal amounts of bank loan during the Quarter, therefore, financial costs decreased significantly.

Due to the above reasons, the Group's profit after tax slightly decreased from approximately RMB13,468,000 of the corresponding period of last year, to approximately RMB11,833,000 of this Quarter, representing a decrease of approximately 12.1%. Profit attributable to the owners of the Company slightly decreased from approximately RMB10,961,000 of the corresponding period of last year, to approximately RMB10,034,000 of this Quarter, representing a decrease of approximately 8.5%.

## 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 31 March 2016, the Group's short-term bank borrowings amounted to RMB50,000,000.

On 22 July 2015, Fuzhou Neptunus Fuyao Pharmaceutical Company Limited (the "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 ("Haixia Bank"), by pledging its land use rights and buildings. This loan will be repaid on 22 July 2016 and is bearing an annual interest rate of 4.85%. On 17 February 2016, Neptunus Fuyao repaid loan principal of RMB50,000,000 to Haixia Bank advancely. The remaining loan of RMB50,000,000 will still be repaid on 22 July 2016.

### Shareholder's interest-bearing financial assistance

As at 31 March 2016, the Group did not have any shareholder's interest-bearing financial assistance.

### Shareholder's entrusted loans

The Company obtained a shareholder's entrusted loan of RMB9,000,000 from Shenzhen Neptunus Bio-engineering Co., Ltd. ("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 LIABILITY

As at 31 March 2016, the Group had no significant liabilities.

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

As far as the Directors and supervisors of the Company are aware, as at 31 March 2016, 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. Yu Jun (Note 1)	Beneficial owner	Personal	1,014,000	0.08%	0.06%
Mr. Song Ting Jiu (Note 2)	Beneficial owner	Personal	1,521,500	0.12%	0.09%

Notes:

1 Supervisor and employee of the Company

2 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, 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 31 March 2016, 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 31 March 2016, 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 Quarter, 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 31 March 2016, 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:*

<b>Name of Substantial Shareholder</b>	<b>Capacity</b>	<b>Number of domestic shares held</b>	<b>Approximate percentage of all the domestic shares</b>	<b>Approximate percentage of the Company's issued share capital</b>
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 31 March 2016.

## **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 Quarter. 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 Quarter, 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 Quarter. 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 consolidated results of the Group for the Quarter.

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

As the Directors are aware, during the Quarter, 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, 9 May 2016

*As at the date of this report, the executive Directors are Mr. Zhang Feng, Mr. Xu Yan He and Mr. Zhao Wen Liang; the non-executive Directors are Ms. Yu Lin, Mr. Liu Zhan Jun and Mr. Song Ting Jiu; and the independent non-executive Directors are Mr. Yick Wing Fat, Simon, Mr. Poon Ka Yeung and Mr. Zhang Jian Zhou.*

\* For identification purpose only