



# 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

Interim Report



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

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**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.*

## 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 2016 (the “Reporting Period”), together with the unaudited comparative figures for the corresponding period of 2015.

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

for the three months and six months ended 30 June 2016

	Note	For the three months ended 30 June		For the six months ended 30 June	
		2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000	2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
<b>Revenue</b>	5	<b>192,190</b>	178,971	<b>334,403</b>	329,850
Cost of sales		<b>(95,558)</b>	(97,093)	<b>(167,621)</b>	(180,818)
<b>Gross profit</b>		<b>96,632</b>	81,878	<b>166,782</b>	149,032
Other revenue	5	<b>1,237</b>	3,633	<b>2,547</b>	6,184
Other net income	5	<b>217</b>	178	<b>2,112</b>	1,154
Selling and distribution expenses		<b>(60,161)</b>	(49,094)	<b>(94,772)</b>	(71,982)
Administrative expenses		<b>(12,310)</b>	(14,975)	<b>(26,703)</b>	(29,321)
Other operating expenses		<b>(8,113)</b>	(10,960)	<b>(16,094)</b>	(23,371)
<b>Profit from operations</b>		<b>17,502</b>	10,660	<b>33,872</b>	31,696
Finance costs	7	<b>(921)</b>	(2,825)	<b>(2,203)</b>	(5,534)
<b>Profit before taxation</b>	6	<b>16,581</b>	7,835	<b>31,669</b>	26,162
Income tax	8	<b>(2,763)</b>	(2,689)	<b>(6,018)</b>	(7,548)
<b>Profit for the period</b>		<b>13,818</b>	5,146	<b>25,651</b>	18,614
<b>Attributable to:</b>					
Owners of the Company		<b>11,375</b>	2,983	<b>21,409</b>	13,944
Non-controlling interests		<b>2,443</b>	2,163	<b>4,242</b>	4,670
<b>Profit for the period</b>		<b>13,818</b>	5,146	<b>25,651</b>	18,614
<b>Earnings per share</b>					
Basic and diluted	10	<b>RMB0.68 cents</b>	RMB0.18 cents	<b>RMB1.28 cents</b>	RMB0.83 cents

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

for the three months and six months ended 30 June 2016

	For the three months ended 30 June		For the six months ended 30 June	
	2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000	2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
<b>Profit for the period</b>	<b>13,818</b>	5,146	<b>25,651</b>	18,614
<b>Other comprehensive income for the period</b>				
Other comprehensive income for the period, net of tax	–	–	–	–
<b>Total other comprehensive income for the period, net of tax</b>	<b>–</b>	–	<b>–</b>	–
<b>Total comprehensive income for the period</b>	<b>13,818</b>	5,146	<b>25,651</b>	18,614
<b>Total comprehensive income attributable to:</b>				
Owners of the Company	<b>11,375</b>	2,983	<b>21,409</b>	13,944
Non-controlling interests	<b>2,443</b>	2,163	<b>4,242</b>	4,670
<b>Total comprehensive income for the period</b>	<b>13,818</b>	5,146	<b>25,651</b>	18,614

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

as at 30 June 2016

	Note	As at 30 June 2016 (Unaudited) RMB'000	As at 31 December 2015 (Audited) RMB'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	11	141,183	133,742
Prepaid lease payments		100,756	101,931
Intangible assets		117,493	119,469
Deposit for acquisition of property, plant and equipment		186	1,027
Available-for-sale investment		–	300
Deferred tax assets		1,738	1,435
Value-added tax recoverable		935	783
		<b>362,291</b>	<b>358,687</b>
<b>CURRENT ASSETS</b>			
Inventories		164,758	155,584
Trade and other receivables	12	199,765	197,618
Pledged bank deposit		–	3,400
Fixed deposit		11,000	17,608
Cash and cash equivalents		253,320	282,494
		<b>628,843</b>	<b>656,704</b>
Assets of disposal group classified as held for sale		–	97,775
		<b>628,843</b>	<b>754,479</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	13	197,085	308,636
Interest-bearing bank borrowings	14	100,000	100,000
Entrusted loans from the immediate parent company		9,000	9,000
Deferred revenue		522	539
Current taxation		8,899	15,694
		<b>(315,506)</b>	<b>(433,869)</b>
Liabilities of disposal group classified as held for sale		–	23,170
		<b>(315,506)</b>	<b>(457,039)</b>
<b>NET CURRENT ASSETS</b>		<b>313,337</b>	<b>297,440</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>675,628</b>	<b>656,127</b>
<b>NON-CURRENT LIABILITIES</b>			
Deferred revenue		4,692	5,107
Deferred tax liabilities		18,563	19,098
		<b>(23,255)</b>	<b>(24,205)</b>
<b>NET ASSETS</b>		<b>652,373</b>	<b>631,922</b>
<b>EQUITY</b>			
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>			
Share capital		167,800	167,800
Reserves		390,509	369,100
		<b>558,309</b>	<b>536,900</b>
<b>NON-CONTROLLING INTERESTS</b>		<b>94,064</b>	<b>95,022</b>
<b>TOTAL EQUITY</b>		<b>652,373</b>	<b>631,922</b>

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

for the six months ended 30 June 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 loss 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	-	-	-	-	13,944	13,944	4,670	18,614
Other comprehensive income for the period, net of tax	-	-	-	-	-	-	-	-
<b>Total comprehensive income for the period, net of tax</b>	-	-	-	-	13,944	13,944	4,670	18,614
Dividend paid from subsidiary to non-controlling interests	-	-	-	-	-	-	(5,600)	(5,600)
Transfer to other reserves	-	-	-	1,423	(1,423)	-	-	-
<b>At 30 June 2015</b>	<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>
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	-	-	-	-	21,409	21,409	4,242	25,651
Other comprehensive income for the period, net of tax	-	-	-	-	-	-	-	-
<b>Total comprehensive income for the period, net of tax</b>	-	-	-	-	21,409	21,409	4,242	25,651
Dividend paid from subsidiary to non-controlling interests	-	-	-	-	-	-	(5,200)	(5,200)
Transfer to other reserves	-	-	-	28	(28)	-	-	-
<b>At 30 June 2016</b>	<u>167,800</u>	<u>554,844</u>	<u>(188,494)</u>	<u>38,509</u>	<u>(14,350)</u>	<u>558,309</u>	<u>94,064</u>	<u>652,373</u>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

for the six months ended 30 June 2016

	For the six months ended 30 June	
	2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
<b>NET CASH GENERATED FROM OPERATING ACTIVITIES</b>	<b>12,548</b>	32,152
<b>NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES</b>	<b>38,181</b>	(2)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(79,903)</b>	(19,534)
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(29,174)</b>	12,616
Cash and cash equivalents at the beginning of period	<b>282,494</b>	235,584
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>253,320</b>	248,200

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 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 six months ended 30 June 2016 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 2015, 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 2015.



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 HKFRSs  
Amendments to HKAS 1

Annual Improvements to HKFRSs 2012-2014 Cycle  
Presentation of financial statements: Disclosure initiative

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 2016 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' emoluments 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 2016 and 30 June 2015 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	
	2016	2015	2016	2015	2016	2015	2016	2015
	(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	207,281	228,435	126,933	101,394	189	21	334,403	329,850
Inter-segment revenue	12,371	6,558	–	8	–	–	12,371	6,566
<b>Reportable segment revenue</b>	<b>219,652</b>	<b>234,993</b>	<b>126,933</b>	<b>101,402</b>	<b>189</b>	<b>21</b>	<b>346,774</b>	<b>336,416</b>
<b>Reportable segment profit/(loss) (adjusted EBITDA)</b>	<b>31,610</b>	<b>27,066</b>	<b>9,669</b>	<b>14,088</b>	<b>(713)</b>	<b>(1,442)</b>	<b>40,566</b>	<b>39,712</b>
Interest income from bank deposits	1,229	2,307	67	36	7	–	1,303	2,343
Interest expenses	(2,093)	(5,534)	–	–	(110)	–	(2,203)	(5,534)
Depreciation and amortisation								
– Property, plant and equipment	(5,934)	(9,200)	(221)	(130)	(1,294)	(177)	(7,449)	(9,507)
– Prepaid lease payment	(785)	(785)	–	–	–	–	(785)	(785)
– Intangible assets	(1,997)	(1,977)	(101)	(101)	–	–	(2,098)	(2,078)
Impairment on trade receivables	(189)	(3)	–	–	–	–	(189)	(3)
Reversal of impairment on trade receivables	76	88	98	–	–	–	174	88
Impairment on other receivables	(670)	(10)	–	(184)	–	–	(670)	(194)
Reversal of impairment on other receivables	67	–	3	222	–	–	70	222
Write down of inventories	(315)	(260)	(1,765)	(1,689)	–	–	(2,080)	(1,949)
Reversal of write down of inventories	124	90	–	754	–	–	124	844
Income tax expense	(3,639)	(3,830)	(2,379)	(3,718)	–	–	(6,018)	(7,548)

	Manufacturing and selling of medicines		Sales and distribution of medicines and healthcare products		R&D services		Total	
	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Reportable segment assets	869,378	1,094,248	118,632	142,465	170,076	-	1,158,086	1,236,713
Additions to non-current assets during the period/year (other than financial instruments and deferred tax assets)	11,689	45,027	244	202	5	4	11,938	45,233
Reportable segment liabilities	404,005	488,569	58,366	83,165	17,586	-	479,957	571,734

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

	Six months ended 30 June	
	2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
<b>Revenue</b>		
Reportable segment revenue	346,774	336,416
Elimination of inter-segment revenue	(12,371)	(6,566)
Consolidated revenue	<b>334,403</b>	<b>329,850</b>
<b>Profit</b>		
Reportable segment profit	40,566	39,712
Elimination of inter-segment profit	(376)	(1,875)
Reportable segment profit derived from the Group's external customers	40,190	37,837
Other revenue and other net income	4,659	7,338
Depreciation and amortisation	(10,332)	(12,370)
Finance costs	(2,203)	(5,534)
Unallocated head office and corporate expense	(645)	(1,109)
Consolidated profit before taxation	<b>31,669</b>	<b>26,162</b>

	At 30 June 2016 (Unaudited) RMB'000	At 31 December 2015 (Audited) RMB'000
<b>Assets</b>		
Reportable segment assets	1,158,086	1,236,713
Elimination of inter-segment receivables	(168,690)	(125,282)
	<b>989,396</b>	1,111,431
Unallocated head office and corporate assets	–	300
Deferred tax assets	1,738	1,435
Consolidated total assets	<b>991,134</b>	<b>1,113,166</b>
<b>Liabilities</b>		
Reportable segment liabilities	479,957	571,734
Elimination of inter-segment payables	(168,658)	(125,282)
	<b>311,299</b>	446,452
Tax payable	8,899	15,694
Deferred tax liabilities	18,563	19,098
Consolidated total liabilities	<b>338,761</b>	<b>481,244</b>

#### 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	
	2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000	2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
<b>Revenue</b>				
Sale of medicines	108,196	115,548	207,281	228,435
Sales and distribution of medicines and healthcare products	83,994	63,407	126,933	101,394
R&D services income	–	16	189	21
	<b>192,190</b>	<b>178,971</b>	<b>334,403</b>	<b>329,850</b>
<b>Other revenue</b>				
Interest income from bank deposits	774	1,160	1,303	2,343
Government subsidy income	312	649	1,062	1,988
Compensation from PRC government authority	–	832	–	832
Other	151	992	182	1,021
	<b>1,237</b>	<b>3,633</b>	<b>2,547</b>	<b>6,184</b>
<b>Other net income</b>				
Reversal of impairment on trade receivables	76	88	174	88
Reversal of impairment on other receivables	67	–	70	222
Reversal of write down of inventories	24	90	124	844
Gain on disposal of a subsidiary	–	–	1,694	–
Gain on disposal of available-for-sale investment	50	–	50	–
	<b>217</b>	<b>178</b>	<b>2,112</b>	<b>1,154</b>

## 6. PROFIT BEFORE TAXATION

Profit before taxation is arrived after charging:

	For the three months ended 30 June		For the six months ended 30 June	
	2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000	2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
<b>(a) Staff costs (including directors' emoluments)</b>				
Salaries, wages and other benefits	15,262	19,297	32,386	38,884
Contributions to defined contribution retirement plan	2,331	4,349	6,357	8,218
	<b>17,593</b>	<b>23,646</b>	<b>38,743</b>	<b>47,102</b>
<b>(b) Other Item</b>				
Cost of inventories	93,884	91,874	164,014	175,257
Amortisation				
– prepaid lease payments	392	392	785	785
– Intangible assets *	1,024	1,039	2,098	2,078
Depreciation	2,848	4,951	7,449	9,507
R & D costs *	4,326	9,802	9,568	18,971
Operating lease charges:				
– minimum lease payment	2,293	2,727	4,408	4,212
Impairment on trade receivables *	189	3	189	3
Impairment on other receivables *	670	10	670	194
Loss on disposal of property, plant and equipment *	411	100	417	100
Write down of inventory *	602	45	2,080	1,949
Auditor's remuneration				
– other services	64	327	64	420

\* 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	
	2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000	2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
Interest on bank loans	903	1,751	2,012	3,439
Interest on financial assistance from the immediate parent company	18	1,074	191	2,095
Total interest expense on financial liabilities not at fair value through profit or loss	921	2,825	2,203	5,534

## 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	
	2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000	2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
<b>Current tax</b>				
Provision for PRC Enterprise Income Tax	3,111	3,097	6,856	8,321
<b>Deferred tax</b>				
Origination and reversal of temporary differences	(348)	(408)	(838)	(773)
	2,763	2,689	6,018	7,548

Hong Kong Profits Tax has not been provided for as the Group had no assessable profit to Hong Kong Profits Tax during the Reporting Period (30 June 2015: 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 2015: 25%).



## 9. DIVIDENDS

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

## 10. EARNINGS PER SHARE

### Basic earnings per share

For the three-month and six-month periods ended 30 June 2016, the calculation of basic earnings per share was based on the profit attributable to owners of the Company of approximately RMB11,375,000 and RMB21,409,000 respectively (three-month and six-month periods ended 30 June 2015: profit of approximately RMB2,983,000 and RMB13,944,000 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 2016 (2015: 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 2016 and 2015 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 RMB15,675,000 (30 June 2015: RMB13,120,000) and RMB807,000 (30 June 2015: RMB191,000) 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:

	<b>30 June 2016 (Unaudited) RMB'000</b>	31 December 2015 (Audited) RMB'000
Within 3 months	121,449	134,856
More than 3 months but less than 12 months	43,349	25,443
Over 12 months	613	2,650
Trade and bills receivables, net	165,411	162,949
Amount due from intermediate parent company	216	5,216
Amount due from fellow subsidiaries	3,334	1,923
Amount due from immediate parent company	2,971	9,646
Amount due from related companies	8,115	6,222
Other receivables	3,903	6,008
Value-added tax recoverable	935	783
Loans and receivables	184,885	192,747
Prepayments and deposits	15,815	5,654
Less: Non-current assets	200,700	198,401
Value-added tax recoverable	(935)	(783)
	<b>199,765</b>	<b>197,618</b>

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:

	<b>30 June 2016 (Unaudited) RMB'000</b>	31 December 2015 (Audited) RMB'000
Within 3 months	<b>58,103</b>	52,031
4 to 6 months	<b>3,346</b>	23,911
7 to 12 months	<b>26,797</b>	16,550
Over 1 year	<b>5,326</b>	3,179
Trade and bills payables (Note i)	<b>93,572</b>	95,671
Receipts in advances	<b>12,845</b>	9,459
Other payables and accruals	<b>60,061</b>	83,319
Amount due to fellow subsidiaries	<b>28,589</b>	44,620
Amount due to immediate parent company	<b>18</b>	1,067
Financial assistance from the immediate parent company (Note ii)	<b>2,000</b>	74,500
Financial liabilities measured at amortised cost	<b>197,085</b>	308,636

Note:

- i) Included in the amount of trade and bills payables, bills payable of Nil (At 31 December 2015: RMB3,400,000) was secured by the pledged bank deposit of Nil (At 31 December 2015: RMB3,400,000).
- ii) The amounts of financial assistance of RMB74,500,000 was obtained from the immediate parent company, Shenzhen Neptunus Bio-engineering Co., Ltd. ("Neptunus Bio-engineering"). The amounts were unsecured, bearing interest at 5.52%-6.72% per annum, which was 20% above 1-year benchmark lending rate issued by the People's Bank of China, and repayable on 31 December 2016. In January 2016, whole amount of RMB74,500,000 has been fully repaid.

On 31 May 2016, the Group obtained interest-bearing financial assistance of RMB2,000,000 from Neptunus Bio-engineering. The amount was unsecured, bearing interest at 5.52% per annum which is adjusted yearly and is 20% above 1-year benchmark lending rate issued by the People's Bank of China and repayable on 31 December 2016.

#### 14. INTEREST-BEARING BANK BORROWINGS

		Effective interest rate	Maturity	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
Short-term bank loan – secured	(a)	4.35-4.85%	2017	100,000	100,000
Interest-bearing bank borrowings repayable: Within 1 year or on demand				100,000	100,000

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) At 30 June 2016, the interest-bearing bank borrowings of the Group of RMB100,000,000 (At 31 December 2015: RMB100,000,000) were secured by mortgages over its buildings and prepaid lease payments with carrying values of approximately RMB41,568,000 and RMB63,233,000 (At 31 December 2015: approximately RMB38,124,000 and RMB64,018,000) respectively.

As at 30 June 2016, the total banking facilities were utilised to the extent of RMB100,000,000 (At 31 December 2015: RMB103,400,000) and the Group has available un-utilised banking facilities of RMB30,000,000 (At 31 December 2015: RMB26,600,000).

## 15. COMMITMENTS

(a) Capital commitments outstanding at 30 June 2016 not provided for in the financial statements were as follows:

	<b>30 June 2016 (Unaudited) RMB'000</b>	31 December 2015 (Audited) RMB'000
<b>Property, plant and equipment</b>		
Contracted for, but not provided for:		
Property, plant and equipment	<b>1,949</b>	27,696
	<b>1,949</b>	27,696
<b>Intangible assets</b>		
Contracted for, but not provided for:		
Technical know-how, net of deposits	<b>1,300</b>	2,992
Acquisition of intangible asset	–	7,000
	<b>1,300</b>	9,992
	<b>3,249</b>	37,688

(b) At 30 June 2016, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	<b>30 June 2016 (Unaudited) RMB'000</b>	31 December 2015 (Audited) RMB'000
Within 1 year	<b>4,796</b>	6,897
After 1 year but within 5 years	<b>976</b>	2,526
	<b>5,772</b>	9,423

The Group as lessee leases office premises under operating leases arrangements. Leases for the office premises are negotiated for one to two 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	
				2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
Shenzhen Neptunus Group Co., Ltd.	Intermediate parent company	Rental of office	(i)	546	1,016
Neptunus Bio-engineering	Immediate parent company	Interest for interest-bearing financial assistance	(iii)(viii)	191	2,095
		Rental of office	(i)(iii)	–	64
Shenzhen Neptunus Pharmaceutical Co., Ltd. (“Neptunus Pharmaceutical”)	Fellow subsidiary	Purchase of goods	(ii)(iii)	31,464	28,182
		Sales of goods	(ii)(iii)	–	14
Hangzhou Neptunus Bio-engineering Co., Ltd.	Fellow subsidiary	Processing income	(ii)(iii)	–	3
		Purchase of goods	(ii)(iii)	2,126	871
Shandong Neptunus Yinhe Pharmaceutical Company Limited	Fellow subsidiary	Sales of goods	(ii)(iii)	851	424
Shenzhen Neptunus Yinhe Pharmaceutical Investment Company Limited (“Neptunus Yinhe”)	Fellow subsidiary	Sales of goods	(ii)(iii)	1	9
Shenzhen Neptunus Jiankang Technology Development Company Ltd. (“Neptunus Jiankang”)	Fellow subsidiary	Purchase of goods	(ii)(iv)	3,048	2,923
Anhui Neptunus Yinhe Pharmaceutical Company Limited	Fellow subsidiary	Sales of goods	(ii)(iii)	21	84
Henan Neptunus Yinhe Pharmaceutical Company Limited	Fellow subsidiary	Sales of goods	(ii)(iii)	–	1
Jiangsu Neptunus Jiankang Bio-technology Company Limited	Fellow subsidiary	Sales of goods	(ii)(iv)	–	5
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)	14	9
Henan Dongsan Pharmaceutical Co., Ltd.	Fellow subsidiary	Sales of goods	(ii)(iii)	550	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	
				2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
Puyang Neptunus Pharmaceutical Co., Ltd.	Fellow subsidiary	Sales of goods	(ii)(iii)	14	–
Hubei Neptunus Enshi Pharmaceutical Co., Ltd.	Fellow subsidiary	Sales of goods	(ii)(iii)	31	–
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)	14	9
Zaozhuang Yinhe Pharmaceutical Co., Ltd.	Fellow subsidiary	Sales of goods	(ii)(iii)	285	42
Jiamusi Neptunus Pharmaceutical Company Limited	Fellow subsidiary	Sales of goods	(ii)(iii)	1,615	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)	7,358 527	6,577 309

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.
- 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.
- 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 2015: 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).

(b) Outstanding balances with related parties

	Note	Amounts owed by related parties		Amounts owed to related parties	
		as at 30 June 2016 RMB'000	as at 31 December 2015 RMB'000	as at 30 June 2016 RMB'000	as at 31 December 2015 RMB'000
Entrusted loan from the immediate parent company	(i)	-	-	9,000	9,000
Amount due from/to the immediate parent company		2,971	9,646	18	1,067
Financial assistance from the immediate parent company	13(ii)	-	-	2,000	74,500
Amount due from intermedate parent company		216	5,216	-	-
Amount due from/to fellow subsidiaries:					
Neptunus Pharmaceutical		-	-	25,224	41,933
Neptunus Jiankang		-	-	2,065	2,086
Shandong Neptunus Yinhe Pharmaceutical Company Limited		925	658	-	-
Henan Dongsen Pharmaceutical Co., Ltd.		477	187	-	-
Hangzhou Neptunus Bio-engineering Company Limited		-	-	1,300	601
Anhui Neptunus Yinhe Pharmaceutical Company Limited		-	44	-	-
Jiamusi Neptunus Pharmaceutical Company Limited		1,735	1,016	-	-
Zaozhuang Yinhe Pharmaceutical Co., Ltd.		146	-	-	-
Henan Neptunus Yinhe Pharmaceutical Company Limited		-	-	-	-
Hubei Neptunus Deming Pharmaceutical Company Limited		6	6	-	-
Hubei Neptunus Pengtai Pharmaceutical Company Limited		5	8	-	-
Hubei Neptunus Pharmaceutical Company Limited		4	4	-	-
Hubei Neptunus Enshi Pharmaceutical Company Limited		36	-	-	-
		<b>3,334</b>	<b>1,923</b>	<b>28,589</b>	<b>44,620</b>
Amounts due from related companies:					
Shenzhen Nepstar Pharmaceutical Co., Ltd.		8,115	6,198	-	-
Hangzhou Nepstar Health Pharmacy Company Limited		-	24	-	-
		<b>8,115</b>	<b>6,222</b>	<b>-</b>	<b>-</b>
		<b>14,636</b>	<b>23,007</b>	<b>39,607</b>	<b>129,187</b>

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 2015: 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 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 Reporting Period, under the influences of incidences including the tendering progress of several medicines in Fujian, the tightening of sales channels on narcotic drugs by the state and the enhancement of the clinical application and management of anti-bacterial medicines, the sales volume of some products of the Group has dropped. At present, the related 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, the decrease in sales volume of the Group’s products will be reversed to a certain extent. Besides, the Group adjusts the marketing plans consequently according to national policy, so as to (1) strengthen the promotion on the products affected by the policy and mitigate the decrease in sales volume; (2) after the implementation of the pharmaceutical circulation “one invoice system” (一票制) in Fujian Province, manufacturing enterprises can supply certain medicines directly to the medical organizations, thereby increasing the gross profit margin of relevant products. Therefore the Group adjusts the product offerings accordingly and puts more efforts in selling the products under such category, which lays a solid foundation for the growth in the sales scale and the net profit of the Group.

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. At present, TGOP Tablets have a large market capacity and a better growth trend. The Group will still devote to increase the marketing promotion of the TGOP Tablets 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 is now at the initial construction stage. At present, the Group has commenced some preliminary work such as adjusting some design proposals.

#### 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 chain drugstores, while the prescription drugs was to continue to cooperate with national professional sales promotion companies. Due to the continued growth in domestic retail market demand for drugs and the market demand for healthcare food and as the number and type of products distributed by the Group increase, together with a flexible sales policy, the development of the purchase and sales of medicines and healthcare food business of the Group is positive and a continuous growth has been seen in the sales scale. Meanwhile, in order to maintain its competitive strength, the Group continues optimizing the sales team in depth, extending newly distributed products, upgrading and supplementing its business model; 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 Group entered into the equity transfer agreement, pursuant to which, the Group disposed of the entire equity interest in Jiangsu Neptunus Bio-pharmaceutical Company Limited ("Jiangsu Neptunus"), 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 this businesses.

This business and the in vitro diagnostic reagents business (discontinued in December 2015) were discontinued, which greatly reduced the R&D expenses of the Group. As a result, profit attributable to the owners of the Company during the Reporting Period has been notably increased.

## FINANCIAL REVIEW

The Group's revenue for the Reporting Period was approximately RMB334,403,000 (2015: RMB329,850,000), representing an increase of approximately 1.4% as compared with the corresponding period of last year. For the revenue, approximately RMB207,281,000 which amounted to approximately 61.99% of the revenue was derived from manufacturing and selling of medicines, while approximately RMB126,933,000 which amounted to approximately 37.96% of the revenue was derived from the purchase and sales of medicines and healthcare food products. During the Reporting Period, under the influences of incidences including the tendering progress of several medicines in Fujian, the tightening of sales channels on narcotic drugs by the state and the enhancement of the clinical application and management of anti-bacterial medicines, the revenue from manufacturing and selling of medicines has decreased by approximately 9.3%, while the revenue from the purchase and sales of medicines and healthcare food products has increased by approximately 25.2%. Hence, the total revenue of the Group has slightly increased.

During the Reporting Period, the Group's gross profit was approximately RMB166,782,000 (2015: RMB149,032,000), representing an increase of approximately 11.9% as compared with the corresponding period of last year; while the Group's gross profit margin during the Reporting Period was approximately 50% (2015: 45%), representing a slight increase of approximately 5 percentage points 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, manufacturing enterprises can supply certain medicines directly to the medical organizations, 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 Reporting Period and there was a relative increase in sales volume of products with higher gross profit margin during the Reporting Period. Therefore, gross profit and gross profit margin of the Group both recorded an increase.

During the Reporting Period, the Group's selling and distribution expenses were approximately RMB94,772,000 (2015: RMB71,982,000), representing an increase of approximately 31.7% 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 prescription drugs distributed by the Group had higher marketing expenses at the initial marketing promotion stage; and (iii) the fact that sales of prescription 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 previous agency products.

During the Reporting Period, the Group's administrative expenses were approximately RMB 26,703,000 (2015: RMB29,321,000), representing a decrease of approximately 8.9% as compared with the corresponding period of last year. The decrease in administrative expenses was mainly due to the disposal of Taizhou Neptunus Nano Bio-medical Technology Company Limited ("Taizhou Nano") at the end of 2015 and Jiangsu Neptunus in January 2016 by the Group, both of which were research and development-focused companies. As a result, the administrative expenses were consequently reduced.

During the Reporting Period, the Group's other operating expenses amounted to approximately RMB16,094,000 (2015: RMB23,371,000), representing a significant decrease of approximately 31.1% 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 Taizhou Nano and Jiangsu Neptunus.

During the Reporting Period, the Group's financial cost amounted to approximately RMB2,203,000 (2015: RMB5,534,000), representing a significant decrease of approximately 60.2% as compared with the corresponding period of last year. The Group has repaid some of the external borrowings (including shareholder's interest-bearing financial assistance and bank loans) during the Reporting Period, therefore, financial costs decreased significantly.

Due to the above reasons, the Group's profit after tax increased from approximately RMB18,614,000 of the corresponding period of last year, to approximately RMB25,651,000 for the Reporting Period, representing an increase of approximately 37.8%. Profit attributable to the owners of the Company markedly increased from approximately RMB13,944,000 of the corresponding period of last year, to approximately RMB21,409,000 for the Reporting Period, representing an increase of approximately 53.5%.

## 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.

As at 30 June 2016, the Group had short-term bank borrowing of RMB100,000,000 (30 June 2015: RMB100,000,000), shareholder's interest-bearing financial assistance from the Company's controlling shareholder Shenzhen Neptunus Bio-engineering Co., Ltd. ("Neptunus Bio-engineering") amounting to RMB2,000,000 (30 June 2015: RMB64,000,000) and shareholder's entrusted loan from Neptunus Bio-engineering amounting to RMB9,000,000 (30 June 2015: RMB9,000,000).

## 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 2016, 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 and supervisors of the Company are aware, as at 30 June 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	1,331,093	0.05%
Mr. Liu Zhan Jun (Note (b))	Beneficial owner	Personal	Neptunus Bio-engineering	8,883,793	0.34%
Ms. Yu Lin (Note (c))	Beneficial owner	Personal	Neptunus Bio-engineering	2,724,660	0.10%
Mr. Song Ting Jiu (Note (d))	Beneficial owner	Personal	Neptunus Bio-engineering	2,525,000	0.10%

Notes:

- (a) Mr. Zhang Feng, deputy chairman of the board of directors of Neptunus Bio-engineering, was beneficially interested in approximately 0.05% 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 0.34% 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 was beneficially interested in approximately 0.10% 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 was beneficially interested in approximately 0.10% 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 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 30 June 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 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 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:*

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 (Note (a))	Beneficial owner	1,181,000,000	94.33%	70.38%
	Interest in controlled corporation	21,650,000	1.73%	1.29%
Shenzhen Neptunus Group Company Limited ("Neptunus Group") (Note (b))	Interest in controlled corporation	1,202,650,000	96.06%	71.67%
Shenzhen Yinhetong Investment Company Limited ("Yinhetong") (Note (c))	Interest in controlled corporation	1,202,650,000	96.06%	71.67%
Mr. Zhang Si Min (Note (d))	Interest in controlled corporation	1,202,650,000	96.06%	71.67%
Ms. Wang Jin Song (Note (e))	Interest of spouse	1,202,650,000	96.06%	71.67%
Bank of Hangzhou Co., Ltd., Shenzhen Branch ("Bank of Hangzhou") (Note (f))	Security interest in shares	1,181,000,000	94.33%	70.38%

Notes:

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

- (b) Neptunus Group was deemed to be interested in the 1,202,650,000 domestic shares of the Company, which relate to the same parcel of shares referred to in note (a) above, held by Neptunus Bio-engineering as Neptunus Group was beneficially interested in approximately 45.96% 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 45.96% 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 45.96% 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 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 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, 5 August 2016

*As at the date of this report, the executive Directors are Mr. Zhang Feng and Mr. Xu Yan He; the non-executive Directors are Mr. Liu Zhan Jun, Ms. Yu Lin, Mr. Song Ting Jiu and Mr. Zhao Wen Liang; 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